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April 9, 2024
Report 2023-102.1
FACT SHEET

Grant Parks *California State Auditor*

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Homelessness in California

The State Must Do More to Assess the Cost-Effectiveness of Its Homelessness Programs

Background

The Joint Legislative Audit Committee requested an audit of the State's homelessness funding and an evaluation of the State's efforts to monitor the cost-effectiveness of such spending. This report (2023-102.1) focuses primarily on the State's activities as carried out by the California Interagency Council on Homelessness (Cal ICH). More than 180,000 Californians experienced homelessness in 2023—a 53 percent increase from 2013. To address this ongoing crisis, nine state agencies have collectively spent billions of dollars in state funding over the past five years administering at least 30 programs dedicated to preventing and ending homelessness. Cal ICH is responsible for coordinating, developing, and evaluating the efforts of these nine agencies.

Our Key Recommendations

- The Legislature should amend state law to require Cal ICH, by March 2025, to mandate reporting by state agencies of costs and outcomes of state-funded homelessness programs. To implement such reporting, the Legislature should require Cal ICH to develop guidance establishing specifics on uniformity of data to be collected and how it is to be presented. The Legislature should require Cal ICH to annually compile and report this cost and outcome information publicly beginning in September 2025 and should provide resources for this effort, as necessary.
- Cal ICH should request that state agencies responsible for administering state-funded homelessness programs provide spending- and outcome-related information for people entering, experiencing, and exiting homelessness. By March 2025, Cal ICH should develop and publish on its website a scorecard—or similar instrument—that would give the Legislature and other policymakers the information necessary to better understand each homelessness program's specific costs and outcomes. Cal ICH should determine and request from the Legislature any necessary resources required for this effort.

Key Findings

- Cal ICH has not consistently tracked and evaluated the State's efforts to end homelessness.
  - » Because Cal ICH has not tracked and reported on the State's funding for homelessness programs since its 2023 assessment covering fiscal years 2018–19 through 2020–21, the State and its policymakers are likely to struggle to understand homelessness programs' ongoing costs and achieved outcomes.
  - » Cal ICH has not established a consistent method for gathering information on homelessness programs' costs and outcomes, leaving the State without information that would allow decision-makers to make data-driven decisions.
- Two of the five state-funded programs we reviewed are likely cost-effective.
  - » Homekey allows the State to provide individuals with housing that is less expensive than newly built affordable housing units. The Housing Support Program helps house families who are at risk of or experiencing homelessness and costs less than the State would spend if these families were homeless.
  - » The Encampment Resolution Funding program; the Homeless Housing, Assistance and Prevention program; and the State Rental Assistance Program did not collect adequate data on program outcomes to assess their cost-effectiveness.

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April 2024

REPORT 2023-102.1

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Grant Parks *State Auditor*
Mike Tilden *Chief Deputy*

April 9, 2024
2023-102.1

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

The Joint Legislative Audit Committee requested an audit of the State's homelessness funding, including an evaluation of the efforts undertaken by the State and two cities to monitor the cost-effectiveness of such spending. The following report (2023-102.1) focuses primarily on the State's activities, in particular the California Interagency Council on Homelessness (Cal ICH)—while a separate report (2023-102.2) details our findings and conclusions for the two cities we reviewed—San José and San Diego. In general, this report concludes that the State must do more to assess the cost-effectiveness of its homelessness programs.

The State lacks current information on the ongoing costs and outcomes of its homelessness programs, because Cal ICH has not consistently tracked and evaluated the State's efforts to prevent and end homelessness. Although Cal ICH reported in 2023 financial information covering fiscal years 2018–19 through 2020–21 related to all state-funded homelessness programs, it has not continued to track and report this data since that time, despite the significant amount of additional funding the State awarded to these efforts in the past two years. Cal ICH has also not aligned its action plan to end homelessness with its statutory goals to collect financial information and ensure accountability and results. Thus, it lacks assurance that the actions it takes will effectively enable it to achieve those goals. Another significant gap in the State's ability to assess programs' effectiveness is that it does not have a consistent method for gathering information on the costs and outcomes for individual programs.

We also reviewed five state-funded homelessness programs to assess their cost-effectiveness. After comparing reported costs and outcomes to alternative possible courses of action, we determined that the Department of Housing and Community Development's Homekey program and the California Department of Social Services' CalWORKs Housing Support Program appear to be cost-effective. However, we were unable to assess the cost-effectiveness of three other programs we reviewed because the State has not collected sufficient data on the outcomes of these programs. Among the recommendations we make is that the Legislature mandate reporting by state agencies on the costs and outcomes of their homelessness programs and that it require Cal ICH to compile and publicly report this information.

Respectfully submitted,

Grant Parks

GRANT PARKS
California State Auditor

Selected Abbreviations Used in This Report

Cal ICH	California Interagency Council on Homelessness
CoC	Continuum of Care
CDSS	California Department of Social Services
ERF	Encampment Resolution Funding
HCD	California Department of Housing and Community Development
HHAP	Homeless Housing, Assistance and Prevention
HMIS	Homeless Management Information System
HUD	U.S. Department of Housing and Urban Development
PIT count	point-in-time count
SRAP	State Rental Assistance Program

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Summary

The Joint Legislative Audit Committee requested an audit of the State's homelessness funding, including an evaluation of the efforts undertaken by the State and two cities to monitor the cost-effectiveness of such spending. This report (2023-102.1) focuses primarily on the State's activities—in particular, the California Interagency Council on Homelessness (Cal ICH)—and a separate report (2023-102.2) details our findings and conclusions about homelessness spending by the cities of San José and San Diego.

More than 180,000 Californians experienced homelessness in 2023—a 53 percent increase from 2013. To address this ongoing crisis, nine state agencies have collectively spent billions of dollars in state funding over the past five years administering at least 30 programs dedicated to preventing and ending homelessness. Cal ICH is responsible for coordinating, developing, and evaluating the efforts of these nine agencies. In this audit, we reviewed the State's efforts to track and evaluate the effectiveness of the homelessness programs that it funds, and we drew the following conclusions:

Cal ICH Has Not Consistently Tracked and Evaluated the State's Efforts to End Homelessness

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In February 2021, we reported that the lack of coordination among the State's homelessness programs had hampered the effectiveness of the State's efforts to end homelessness.[1] Subsequently, the Legislature required Cal ICH to evaluate and report financial information related to all state-funded homelessness programs. Cal ICH published this assessment in 2023 and it covered fiscal years 2018–19 through 2020–21; however, it has not continued to track and report on this information since that time. Further, it has not aligned its action plan for addressing homelessness with its statutory goals, nor has it ensured that it collects accurate, complete, and comparable financial and outcome information from homelessness programs. Until Cal ICH takes these critical steps, the State will lack up-to-date information that it can use to make data-driven policy decisions on how to effectively reduce homelessness.

Two of the Five State-Funded Programs We Reviewed Are Likely Cost-Effective, but the State Lacks Clear Outcome Data for the Other Three

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When we selected five of the State's homelessness programs to review, we found that two were likely cost-effective: Homekey and the CalWORKs Housing Support Program (housing support program). Specifically, Homekey refurbishes existing buildings to provide housing units to individuals experiencing homelessness for hundreds of thousands of dollars less than the cost of newly built units. Similarly, the Housing Support Program's provision of financial support to families who were at risk of or experiencing homelessness has cost the State less than it would have spent had these families remained or become homeless. However, we were unable to fully assess the other three programs we reviewed—the State Rental Assistance Program, the Encampment Resolution Funding Program, and the Homeless Housing, Assistance and prevention grant program—because the State has not collected sufficient data on the programs' outcomes. In the absence of this information, the State cannot determine whether these programs represent the best use of its funds.

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[1] *Homelessness in California: The State's Uncoordinated Approach to Addressing Homelessness Has Hampered the Effectiveness of Its Efforts*, Report 2020-112, February 2021.

Agency Comments

Cal ICH agreed with our recommendations and identified actions it plans to take to implement them.

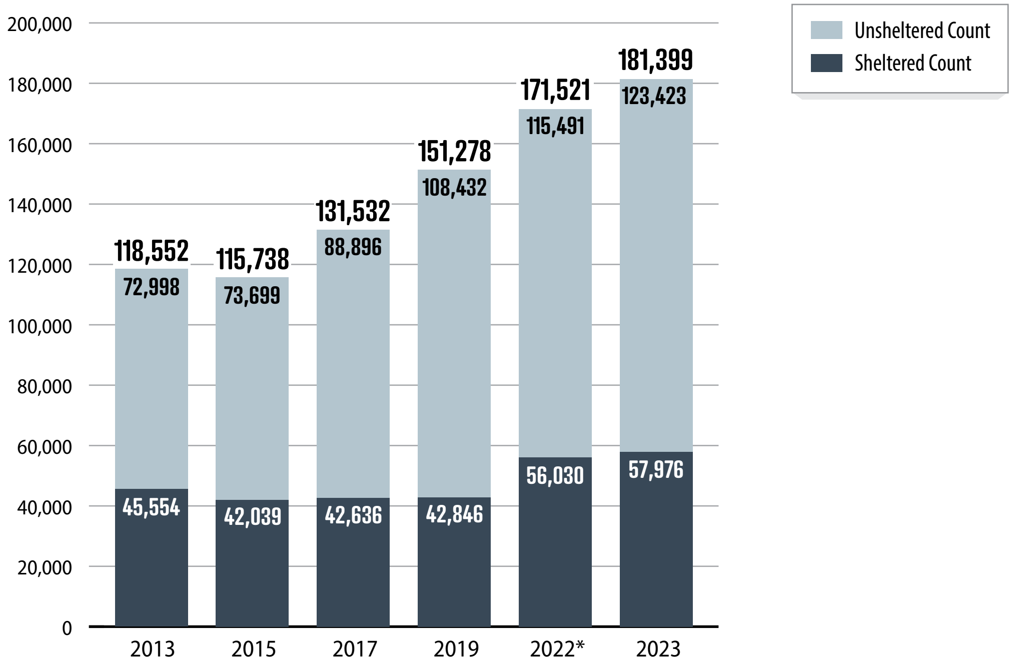
Although we did not make recommendations to the California Department of Social Services (CDSS), it indicated that it reviewed the draft report for factual inaccuracies and found none.

Introduction

Background

The number of people experiencing homelessness in the State has increased significantly during the last 10 years. According to federal regulations, any individual or family who lacks a fixed, regular, and adequate nighttime residence is *experiencing homelessness*. When people primarily spend their nights in public or private locations not normally used for sleeping, it is considered *unsheltered homelessness*. When people stay in emergency shelters, transitional housing programs, or safe havens, it is considered *sheltered homelessness*. People experiencing homelessness face devastating challenges to their health and well-being. For example, a study by the University of California, San Francisco from June 2023 found that two-thirds of participants reported current mental health symptoms and that homelessness worsened participants' mental health symptoms.[2] Figure 1 shows that although the number of people experiencing homelessness in California decreased slightly from 2013 through 2015 to fewer than 116,000 individuals, it had increased to more than 181,000 individuals as of 2023.

Figure 1
California's Population of People Experiencing Homelessness Has Increased Since 2013



Source: The U.S. Department of Housing and Urban Development (HUD) point-in-time (PIT) counts, Annual Homeless Assessment Report, and HUD memorandum.

Note: HUD requires Continuums of Care (CoCs) to conduct a PIT count of people experiencing sheltered homelessness annually and a count of people experiencing unsheltered homelessness at least biennially. To present the total number of people experiencing homelessness, we therefore used the year in which both categories of PIT counts were conducted.

* HUD waived the PIT count requirement for unsheltered homelessness in 2021 because of the COVID-19 pandemic, but it required the count again in 2022.

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[2] *Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness*, a study published by the UCSF Benioff Homelessness and Housing Initiative in June 2023.

Figure 2 shows the three main phases of homelessness: *entering homelessness*, *experiencing homelessness*, and *exiting homelessness*. The University of California, San Francisco's June 2023 study of people experiencing homelessness describes economic, social, and health factors that can lead to homelessness. The study found that high housing costs and low incomes had left participants vulnerable to homelessness and that the most frequently reported economic reason for entering homelessness was loss of income. Resolutions to this situation include preventing people from entering homelessness and helping people exit homelessness to live in permanent housing. Factors such as scarcity of housing, high cost of housing, lack of rental subsidies, and lack of assistance in identifying housing, create barriers to accessing housing.

Description of the Five Programs We Reviewed

Homekey: Created as an opportunity for local public agencies to purchase motels and other housing types to increase their communities' capacity to respond to the COVID-19 pandemic. The target population was individuals and families who are experiencing homelessness or at risk of homelessness.

Homeless Housing, Assistance and Prevention (HHAP): Provides local jurisdictions with funds to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges.

State Rental Assistance Program (SRAP): Provides funds for rental arrears, prospective rental payments, utility and home energy cost arrears, utility and home energy costs, and other expenses related to housing incurred during or due, directly or indirectly, to the COVID-19 pandemic. Eligible households must demonstrate a risk of homelessness or housing instability.

Encampment Resolution Funding (ERF): Provides competitive grants to assist local jurisdictions in ensuring the wellness and safety of people experiencing homelessness in encampments by providing services and supports that address their immediate physical and mental wellness and result in meaningful paths to safe and stable housing.

CalWORKs Housing Support Program (housing support program): Offers financial assistance and housing-related wraparound supportive services, including rental assistance and case management. The program serves families with children enrolled in CalWORKs who are at risk of or experiencing homelessness.

Source: State law and program documentation.

Numerous Entities Have Roles in Funding Homelessness Services in California

Numerous entities are involved in funding homelessness prevention and support services, and permanent housing in California. Federal, state, and local governments all issue funding that flows through other entities before reaching people experiencing or at risk of homelessness. Most notably, the State recently increased its financial role in addressing housing affordability and homelessness. According to the Legislative Analyst's Office, the State allocated nearly $24 billion for homelessness and housing during the last five fiscal years, or from 2018–19 through 2022–23.

Nine different state agencies funded and administered over 30 programs geared toward preventing and ending homelessness.[3] These programs deliver a wide range of services, including creating temporary shelters, providing mental health treatment, and addressing encampments of those experiencing homelessness.[4] As part of this audit, we reviewed the five state programs that the text box describes. We selected these programs based on multiple factors, including program funding amounts and services offered. Some of these programs initially received one-time funding. If the Legislature provided a program with subsequent appropriations of one-time funding, then this is referred to as a *round*. For example, the Legislature originally appropriated $650 million in one-time funding in 2019 for the HHAP program, which was called *HHAP Round 1*. The Legislature has since approved more than $3 billion in additional funds through four subsequent rounds.

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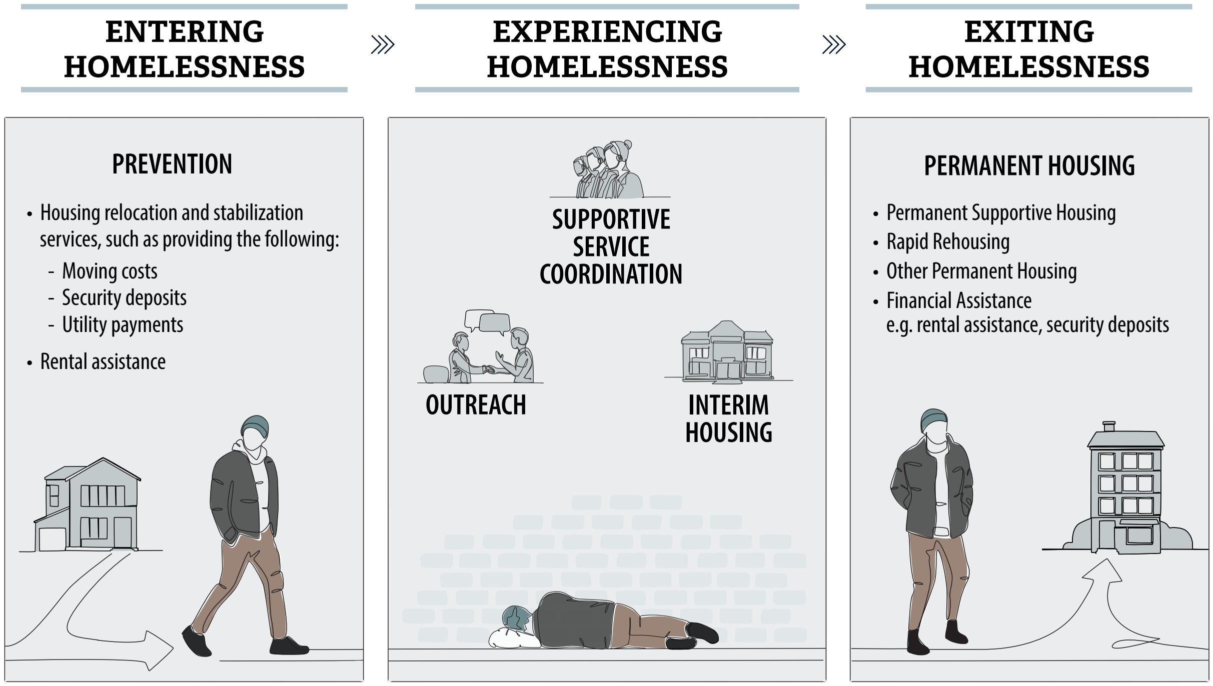
[3] This information comes from the State's 2023 landscape assessment covering fiscal years 2018–19 through 2020–21. It is the best information available at this time because, as we describe in this report, the State does not centrally track this information for all existing programs.

[4] *Encampments* are places where a group of individuals experiencing homelessness reside, which are not intended for occupancy. Encampments can consist of tents, pallets, or shacks, and can also be a collection of individuals who reside in cars near each other.

Figure 2
The Three Phases of Homelessness Each Have Mitigating Solutions


ENTERING HOMELESSNESS
EXPERIENCING HOMELESSNESS
EXITING HOMELESSNESS
PREVENTION
• Housing relocation and stabilization services, such as providing the following:
- Moving costs
- Security deposits
- Utility payments
• Rental assistance
SUPPORTIVE SERVICE COORDINATION
OUTREACH
INTERIM HOUSING
PERMANENT HOUSING
• Permanent Supportive Housing
• Rapid Rehousing
• Other Permanent Housing
• Financial Assistance e.g. rental assistance, security deposits

High housing costs and low incomes leave people vulnerable to homelessness. Individuals or families with annual incomes below 30 percent of median family income and who meet certain other criteria are categorized as *at risk of homelessness*.

People who lack a fixed, regular, and adequate nighttime residence are considered to be *experiencing homelessness*. This experience can be devastating to their health and well-being.

People are *exiting homelessness* when they find permanent housing. They often face barriers, such as housing scarcity and high costs.

Source: Federal regulations, Federal Strategic Plan, Business, Consumer Services, and Housing Agency documentation, and *Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness,* a study published by the UCSF Benioff Homelessness and Housing Initiative in June 2023.

CoCs Are Central to California's Provision of Homelessness Services

As Figure 3 shows, CoCs are central to the provision of homelessness services in California. In 1993 HUD established the CoC system. A CoC is a group composed of individuals and organizations, such as homeless service providers, cities, and counties, formed pursuant to federal regulations and recognized by the federal government to achieve the goal of ending homelessness within a geographic area. Congress codified the CoC system into law to promote communitywide commitment to the goal of ending homelessness by providing funding for the efforts of states, local governments, and nonprofit service providers to quickly re-house people experiencing homelessness. The 44 CoCs that cover California's 58 counties provide regional collaboration among member entities, including cities, but do not direct the actions of those member entities. The State and HUD provide funding through a variety of programs to CoCs and to the entities within CoCs, such as counties, cites, and nonprofits. Those entities are responsible for following the eligible uses and reporting requirements of the funding they receive.

Local jurisdictions and nonprofit service providers deliver various services that include identifying the needs of people experiencing homelessness, placing them into temporary shelters, providing them with supportive services, and funding housing for them. Data show that nearly 316,000 individuals experiencing homelessness accessed housing and services in California's 44 CoCs in 2022.[5] The COVID-19 pandemic, which occurred during the period we reviewed, had significant effects on homelessness and resulted in substantial funding being made available to address the crisis.

The CoCs are also responsible for counting individuals who are experiencing homelessness. Specifically, to identify the number of people experiencing homelessness, HUD requires annual PIT counts of those experiencing sheltered homelessness and biennial counts of those experiencing unsheltered homelessness. On a single night in January, CoCs attempt to count the number of people, sheltered and unsheltered, experiencing homelessness. The information collected during the PIT count is critical. Specifically, it is the main source of data used by the federal government to track the number of people experiencing homelessness and to determine federal funding allocations to address homelessness. Additionally, states and local jurisdictions rely on PIT count data to inform their strategic planning efforts, funding allocations, and the effectiveness of homeless programs.

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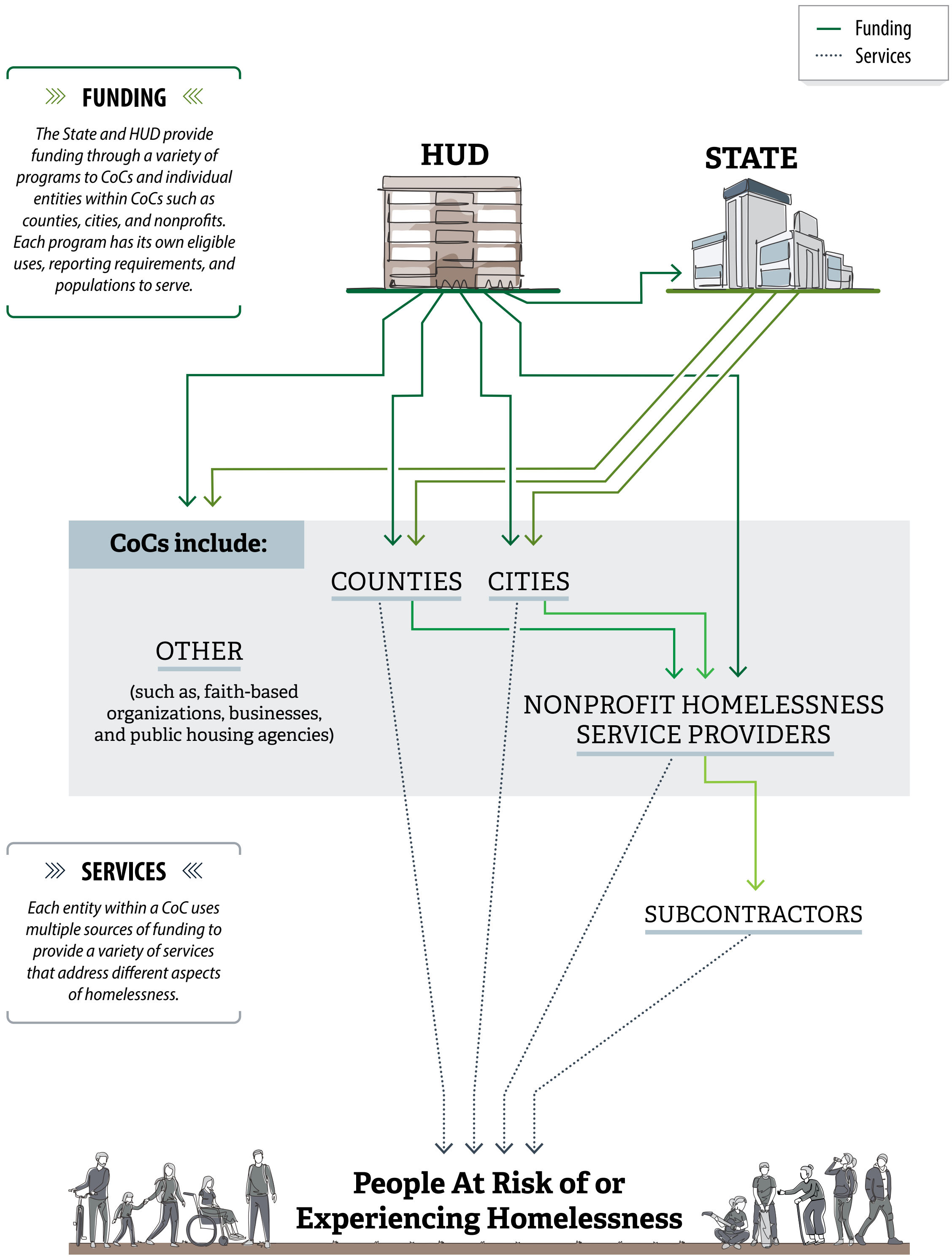
[5] Because the PIT count of people experiencing homelessness is on a single night in a given year, the amount of people experiencing homelessness derived from that count may be less than the total number of people experiencing homelessness at any point during an entire year.

Figure 3
There Are Many Layers to Homelessness Funding and Services


— Funding
······ Services
HUD
STATE
CoCs include:
COUNTIES
CITIES
OTHER
(such as, faith-based organizations, businesses, and public housing agencies)
NONPROFIT HOMELESSNESS SERVICE PROVIDERS
SUBCONTRACTORS
People At Risk of or Experiencing Homelessness

FUNDING

The State and HUD provide funding through a variety of programs to CoCs and individual entities within CoCs such as counties, cities, and nonprofits. Each program has its own eligible uses, reporting requirements, and populations to serve.

SERVICES

Each entity within a CoC uses multiple sources of funding to provide a variety of services that address different aspects of homelessness.

Source: State law; grant agreements; documentation from Cal ICH, HUD, CDSS, HCD, cities, and counties; and a service provider's website.

Cal ICH Includes Leaders or Representatives From 18 State Entities and Two Appointed Members

- Business, Consumer Services and Housing Agency
- California Health and Human Services Agency
- California Department of Transportation
- California Department of Housing and Community Development
- California Department of Social Services
- California Housing Finance Agency (CalHFA)
- Department of Health Care Services (DHCS)
- California Department of Veterans Affairs
- California Department of Corrections and Rehabilitation (CDCR)
- California Tax Credit Allocation Committee (TCAC)
- California Department of Public Health
- California Department of Aging
- Department of Rehabilitation
- Department of State Hospitals
- California Workforce Development Board
- California Governor's Office of Emergency Services (CalOES)
- California Department of Education
- California Community Colleges (CCCCO), University of California, or California State University
- Two appointments from stakeholder organizations

Source: State law.

Action Plan's Five Action Areas

1. Strengthening our systems to better prevent and end homelessness in California.
2. Equitably addressing the health, safety, and service needs of Californians experiencing unsheltered homelessness.
3. Expanding communities' capacity to provide safe and effective shelter and temporary housing.
4. Expanding and ensuring equitable access to permanent housing in our communities.
5. Preventing Californians from experiencing the crisis of homelessness.

Source: Cal ICH's 2021 action plan and 2022 and 2023 updates.

Cal ICH Coordinates, Evaluates, and Develops the State's Efforts to Prevent and End Homelessness

The Legislature created Cal ICH by statute in 2017 to coordinate the State's efforts to prevent and end homelessness. As the top text box describes, Cal ICH (originally named the Homeless Coordinating and Financing Council) is composed of representatives from 18 different state entities as well as two members appointed by the Legislature from stakeholder organizations. Cal ICH's responsibilities are in the 19 statutory goals that the Legislature has established. Some of these statutory goals include making policy and procedural recommendations to the Legislature, and collecting, compiling, and making available to the public financial data provided to Cal ICH from all state funded homelessness programs. Cal ICH is led by an executive officer and staffed by more than 40 employees.

In 2021 Cal ICH adopted an Action Plan for Preventing and Ending Homelessness in California (action plan) to orient the State's efforts and updated it in 2022 and again in 2023. The action plan details five action areas, which the text box lists. These action areas are divided into objectives, which are further divided into activities. Cal ICH also published a Statewide Homelessness Assessment (homelessness assessment) in 2023 for the Legislature. The Legislature's intent in requesting this assessment was to obtain trustworthy information to connect funding allocated to prevent and end homelessness with established sheltering and housing resources, and to provide state agencies with accurate information for more precise forecasting to target future investments. The homelessness assessment covered fiscal years 2018–19 through 2020–21 and reported how State funds were used to provide housing and services to people experiencing homelessness, demographic information about the population served by these programs, the types of services provided, and the outcomes of the programs. The report found that the State has expanded its role in addressing homelessness by investing in new programs—increasing its investment in homelessness-focused programs by more than $1.5 billion, from $2.3 billion in fiscal year 2018–19 to $3.8 billion in 2020–21. Appendix A presents information about the programs and funding identified in the homelessness assessment.

In addition, Cal ICH administers several grant programs intended to prevent and end homelessness, such as HHAP and the ERF program. However, the Legislature intends to transfer all grant programs administered by Cal ICH to the California Department of Housing and Community Development (HCD) by July 2024. This transfer is intended to allow Cal ICH to better focus its efforts on providing statewide policy development and coordination.

CoCs Collect Data About Homelessness in Local Information Systems

Federal regulations require each CoC to use a Homeless Management Information System (HMIS)—a local information technology system in which recipients and subrecipients of federal funding record and analyze client, service, and housing data for individuals and families at risk of or experiencing homelessness. The CoCs must designate a lead agency to operate the HMIS, and that lead agency must comply with HUD's requirements for data collection, management, and reporting. In alignment with HUD's requirements, the text box shows that CoCs collect certain data from entities that provide services to people experiencing homelessness. These services include the project types of homelessness prevention, street outreach, emergency shelter, and rapid re-housing. The CoCs also collect demographic data about the people who access these services.

Examples of Data Collected

- Project Type
- Participant Demographics
- Participant Living Situation
- Project Funding Source
- Project Start and Exit Date
- Project Location

Source: 2024 HMIS Data Standards Manual.

In 2021 Cal ICH launched the State's Homeless Data Integration System (state data system). This Cal ICH data system securely collects data from each local HMIS. Cal ICH intended to provide the State with data that it can analyze to make data-driven policy decisions to prevent and end homelessness in California. Individual CoCs send data from their local HMIS to the state data system quarterly. Cal ICH's data system aggregates data from HMISs, including client-level data.

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Cal ICH Has Not Consistently Tracked and Evaluated the State's Efforts to End Homelessness

Key Points

- Cal ICH has not tracked and reported on the State's funding for homelessness programs statewide since its 2023 assessment covering fiscal years 2018–19 through 2020–21. Currently, it has no plans to perform a similar assessment in the future. In the absence of an up-to-date assessment, the State and its policymakers are likely to struggle to understand homelessness programs' ongoing costs and achieved outcomes.

- Cal ICH has not aligned its action plan with its statutory goals. Consequently, it lacks assurance that the actions it takes will effectively enable it to reach those goals.

- Cal ICH has not established a consistent method for gathering information on homelessness programs' costs and outcomes. As a result, the State lacks information that would allow it to make data-driven policy decisions and identify gaps in services.

- Cal ICH has neither ensured the accuracy of the information in the state data system, nor has it used this information to evaluate homelessness programs' success.

Cal ICH Has Not Regularly Tracked Statewide Homelessness Funding

From July 2018 through June 2021, the State allocated billions of dollars in public funds to address homelessness. Given the financial resources the State has dedicated to reducing homelessness, transparency and accountability regarding its efforts are crucial. Nonetheless, in February 2021, we reported that the lack of coordination among the State's homelessness programs had hampered the effectiveness of the State's efforts to end homelessness.[6] We recommended at that time that Cal ICH collect and track funding data on all state homelessness programs. Subsequently, the Legislature set a goal in September 2021 for Cal ICH to report to the public the financial information of the State's homelessness programs. Cal ICH's goal to collect, compile, and make available to the public financial data from all state-funded homelessness programs is the most recent of 19 statutory goals that the Legislature has established for Cal ICH since it was created in 2017.

Collecting and reporting all state homelessness programs' financial data allows for more complete and timely information about the State's overall spending on homelessness. It also makes possible greater coordination of homelessness programs' funding and may enable cost-effectiveness comparisons. However, the law does not specify when or how often Cal ICH should report these data. In the absence of such requirements, Cal ICH has only done so once, as Figure 4 shows. Specifically, in response to separate legislation, Cal ICH conducted a one-time statewide assessment of state-administered programs and funding (homelessness assessment), covering the period of July 2018 through June 2021.

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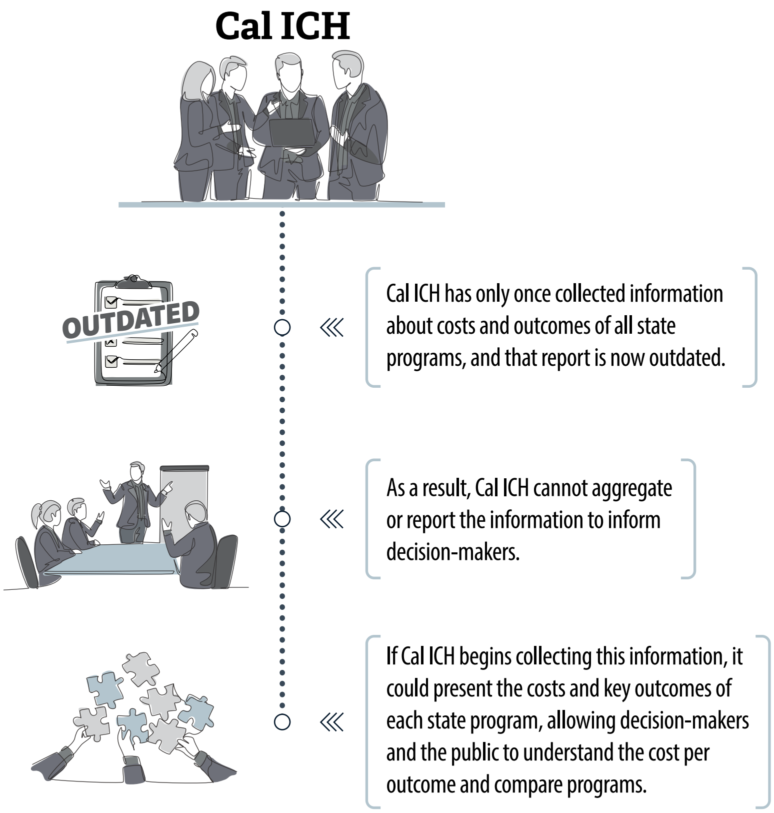
[6] *Homelessness in California: The State's Uncoordinated Approach to Addressing Homelessness Has Hampered the Effectiveness of Its Efforts*, Report 2020-112, February 2021.

Figure 4
Cal ICH Does Not Regularly Collect Cost and Outcome Information, Limiting Its Evaluation of Effectiveness



Cal ICH has only once collected information about costs and outcomes of all state programs, and that report is now outdated.

As a result, Cal ICH cannot aggregate or report the information to inform decision-makers.

If Cal ICH begins collecting this information, it could present the costs and key outcomes of each state program, allowing decision-makers and the public to understand the cost per outcome and compare programs.

Source: Analysis of state law and Cal ICH documentation.

Cal ICH believes the homelessness assessment fulfills the statutory goal. However, those results are now nearly three years old and out of date. Since the homelessness assessment, the State has awarded a significant amount of additional funding and created new homelessness programs that the assessment does not address.

If Cal ICH does not conduct these types of assessments on a periodic basis, the State will continue to lack complete and timely information about the ongoing costs and associated outcomes of its homelessness programs. We believe that the State's policymakers and the public need up-to-date information to evaluate the efficacy and effectiveness of billions of dollars in state spending. Appendix A lists the State's programs and funding amounts in the homelessness assessment.

Cal ICH Did Not Address Certain Statutory Goals in Its Action Plan

Cal ICH adopted an action plan in 2021 for achieving its statutory goals, and it updated that plan in 2022. Cal ICH's plan outlines five action areas—shown previously in the text box on page 8—and presents objectives and specific activities for preventing and ending homelessness. However, the action plan does not define the efforts Cal ICH will take toward specific statutory goals, including those involving funding and outcomes. For example, none of the action plan's listed objectives addresses Cal ICH's statutory goals to collect financial information or ensure accountability and results. As a result of this misalignment, Cal ICH may achieve the plan's objectives yet still not consistently deliver on the Legislature's goals.

The action plan's key performance measures—which the text box lists—are similarly misaligned. Although these performance measures could be useful, they do not provide insight on specific program outcomes. Without such insight, Cal ICH again cannot fully achieve its statutory goal of ensuring accountability and results. Measuring program-specific outcomes would allow Cal ICH to identify successful programs worthy of replicating and help policymakers prioritize investment.

Cal ICH's executive officer explained that the council recognizes that it needs to be led by its statutory goals. However, she also explained that its next updated plan may not include the statutory goals. Until Cal ICH aligns its action plan with its statutory goals, it may struggle to ensure that it meets those goals. To improve transparency and accountability for state spending, we recommend that the Legislature direct Cal ICH to require state agencies to report to it annually about homelessness spending and associated outcomes.

Key Performance Measures From Cal ICH's Action Plan

- The number of Californians experiencing sheltered and unsheltered homelessness at a point in time, including veterans, people experiencing chronic homelessness, families with children, adults, and unaccompanied youth.
- The number of Continuums of Care in California reporting increases versus decreases in the number of people experiencing sheltered and unsheltered homelessness within annual PIT counts.
- The number of people spending time in emergency shelter and transitional housing in California annually, including veterans, people experiencing chronic homelessness, families with children, adults, and unaccompanied youth.
- The number of Californians experiencing homelessness for the first time each year.
- The number of Californians successfully exiting homelessness each year.
- The number of Californians returning to homelessness each year.
- The number of children and youth experiencing homelessness at some point during the school year in California, including students in families and unaccompanied students.
- Comparison of California's performance across these measures and data points to national and regional trends.

Source: Cal ICH's Action Plan update 2022.

Cal ICH Has Not Established a Consistent Methodology for Gathering Information on Programs' Costs and Outcomes

Cal ICH has not established a central reporting method that is consistent across all of the State's homelessness programs and provides uniform specifications for the data they report. The law that established Cal ICH does not require state agencies to report to it the funding and outcome information on all state homelessness programs they administer. Consequently, state agencies report their program costs and outcomes using a variety of methods that cannot be readily compared, including online dashboards and written reports to the Legislature.

Programs also collect different types of data. For example, Homekey is a program that is focused on building housing for people experiencing homelessness. The program required Homekey Round 1 grantees to report on the number of properties they produced and the location of these properties. HHAP—a different program than Homekey—also provides funding to grantees that could be used to develop housing, but the law that established that program did not require Round 1 grantees to report on the location of properties built with HHAP funds.

State law requires state agencies to provide any relevant information about state homelessness programs upon request of Cal ICH, positioning Cal ICH to collect these data. To more usefully gather and report program costs and outcomes and to better facilitate policy discussions, Cal ICH could develop a scorecard similar to the one we present in Figure 5. Agencies could use it to report their program funding and performance outcome information to Cal ICH. For example, a program that provides interim housing could report the number of people experiencing homelessness whom the program placed in housing and the number who received case management services.

To enable comparisons among similar types of programs, Cal ICH could categorize programs according to the phase of homelessness that the programs address: entering, experiencing, or exiting homelessness. This categorization would allow the State to identify gaps in its efforts or funding to address these three phases. The Legislature could then use the scorecard to make data-driven policy decisions and to more easily make inquiries about why funding appropriated for certain programs is not fully spent and the anticipated timing of such spending.

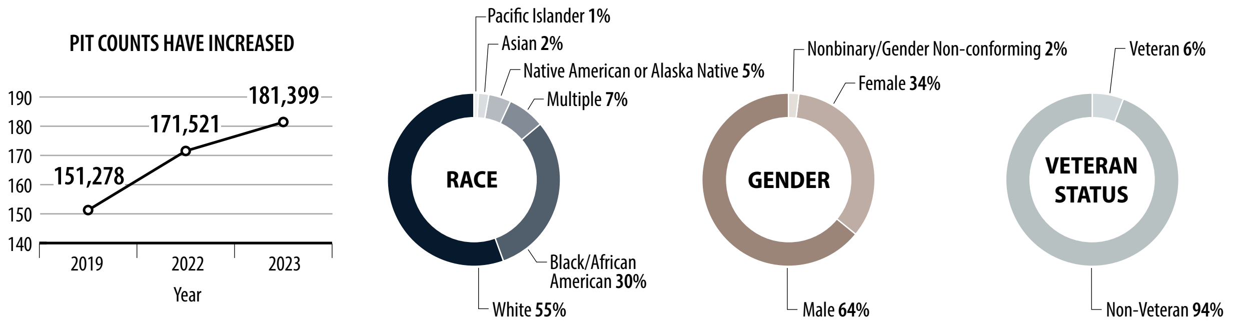
Cal ICH Has Not Ensured the Accuracy of the Data in the State Data System

As we previously discuss, Cal ICH has not established a statewide methodology for state-funded homelessness programs to report their outcomes. However, Cal ICH has access to some program data through the state data system, which collects records from local CoC's HMIS. State law requires that, beginning in January 2023, grantees or entities operating any of 10 specific homelessness programs existing as of 2021 to report to HMIS information about the services individuals receive, such as start dates, end dates, and exit destinations—grantees are not required to report cost information to HMIS. The 10 programs include Homekey, HHAP, and the CalWORKs Housing Support Program—three of the five programs we reviewed and describe in the next section of this report. All programs that began after July 1, 2021, are also required to report this information; thus, Cal ICH now generally collects some data related to several homelessness programs using the state data system.

Nonetheless, Cal ICH has not used the reporting programs' data to evaluate the programs' success in reducing homelessness. Although it has performed some research about the types of services received by various populations among those experiencing homelessness, it has not used the data to determine the effectiveness of any particular program. Instead, Cal ICH uses the data to populate a public-facing dashboard. The dashboard displays the number of people experiencing homelessness that each CoC served, provides information about services provided, and displays the age, race and ethnicity, gender, and veteran status of those who received the services.

Figure 5
Cal ICH Could Use This Hypothetical Example of a State Homelessness Program Scorecard

Demographic Information



List and Description of Programs

ENTERING HOMELESSNESS

▷ *Example*	
Program A	SRAP Round 1
Program B	(Rapid Rehousing)

EXPERIENCING HOMELESSNESS

▷ *Example*	
Program C	HHAP Round 1
Program D	(Supportive services)
Program E	(Interim housing)

EXITING HOMELESSNESS

▷ *Example*	
Program F	Homekey Round 1
Program G	(Permanent Housing)

Funding and Outcomes

ENTERING HOMELESSNESS

	Appropriation	Expenditures	Remaining Balance	Outcome Measures	Cost/Outcome
Program A SRAP Round 1 (Rental Assistance)	$5,000,000,000	$4,746,000,000	$254,000,000	370,000 households provided with rental and utility assistance	$12,827
Program B (Rapid Rehousing)				*(number of households that were re-housed)*	
Total Funding (for all ENTERING programs)				*(Total number prevented from entering homelessness)*	
			Comparison for context	*(Total number of households that entered homelessness for the first time)*	

EXPERIENCING HOMELESSNESS*

	Appropriation	Expenditures	Remaining Balance	Outcome Measures	Cost/Outcome
Program C HHAP Round 1 (Outreach)	$97,961,000	$3,483,000	$94,478,000	2,400 people contacted through street outreach	$1,451
Program D (Supportive Services)				*(Number of employment or case management sessions)*	
Program E (Interim Housing)				*(Number of households placed in interim housing)*	
Total Funding (for all EXPERIENCING programs)					
			Comparison for context	*(Number of households that remain unsheltered)*	

EXITING HOMELESSNESS

	Appropriation	Expenditures	Remaining Balance	Outcome Measures	Cost/Outcome
Program F Homekey Round 1	$600,000,000	$547,000,000	$53,000,000	5,900 units built with Homekey Round 1 funds	$92,712
Program G (Permanent Housing)				*(number of units built)*	
Total Funding (for all EXITING programs)				*(total number of units built)*	
			Comparison for context	*(Total number of unsheltered households)*	

Source: Analysis of Cal ICH data and HCD data.

Note: Data in the example scorecard is included only for illustrative purposes and does not represent actual program data.

* In this category, the services are more distinct and could be totaled individually: if there are four programs for interim housing there could be a different total specific to interim housing.

Because Cal ICH does not analyze the available data to determine program effectiveness, it cannot provide critical information that state policymakers could use when prioritizing funding decisions for the myriad state homelessness programs. The executive officer of Cal ICH explained that the council intends to assess the effectiveness of state homelessness programs, but she did not provide us with any tangible plans or evidence of efforts to initiate such an assessment.

If Cal ICH begins using the available data in more meaningful ways, it will need to take steps to ensure those data are reliable. In fact, we identified a number of problems with the data in the state data system. For example, the CoC for Santa Clara County, which includes San José, provided all records from its HMIS to Cal ICH, including those that the CoC had marked as deleted. The CoC explained that some records were deleted because they were created in error. However, Cal ICH asserted that it treated at least some of the deleted records as valid and included them in publicly reported information. Similarly, in multiple CoCs statewide we found a small number of likely fictitious clients. For example, we identified more than 100 enrollment records with client names such as "Mickey Mouse," "Super Woman," or a name indicating it was a test client, such as "Test Participant." While this is a small number of entries that are likely system test entries or erroneous records that were never removed, the true magnitude of such records is unknown because a CoC could enter similar records using any name. Nonetheless, Cal ICH was unaware of any test records in the data.

We also identified questionable entries in the state data system's bed inventory and enrollment data, with some shelters showing enrollment numbers significantly over their bed capacity. In one example, a shelter reported nearly 1,100 people enrolled in fewer than 300 beds. When we asked about these entries, Cal ICH staff explained that enrollment records do not always show when individuals stopped receiving services. As a result of these errors, some of the enrollment numbers we present in this report may be overstated.

Although Cal ICH takes steps to adjust the data to improve the data quality when reporting certain metrics, such as excluding records with known illogical values, and these steps result in what Cal ICH believes is the correct data, the corrections do not necessarily result in a reflection of what actually occurred. In fact, Cal ICH did not correct for all of the errors we identified. Cal ICH staff recognize that the accuracy and completeness of the data depends on the information that each CoC records and submits to Cal ICH. Therefore, Cal ICH should work with the CoCs to ensure that they submit appropriate data.

Cal ICH's statutory goals give it specific responsibilities as the State's primary resource for homelessness policy coordination and accountability. However, it has also been directly managing multiple large grant programs as mandated by statute, including the multibillion-dollar HHAP program and the more-than-$700 million ERF program. The Legislature appeared to recognize this focus in 2023 when it passed legislation transferring responsibility for the grant programs from Cal ICH to HCD, effective July 2024, which will likely allow Cal ICH to focus its efforts on meeting its statutory goals. Cal ICH's executive officer acknowledged that changes in key leadership roles and in programmatic statutory language have hindered the council's ability to meet its statutory goals.

Two of the Five State-Funded Programs We Reviewed Are Likely Cost-Effective, but the State Lacks Clear Outcome Data for the Other Three

Key Points

- Data indicate that two of the five programs we reviewed—Homekey and the Housing Support Program—are likely cost-effective. Homekey allows the State to provide individuals with housing that is less expensive than newly built units. The Housing Support Program helps house families who are experiencing or at risk of homelessness and costs less than the State would spend if these families were homeless.

- The State has not collected adequate outcome data to assess the cost-effectiveness of the remaining three programs. Without such data, it will lack assurance that these programs represent the best use of state funding.

Both Homekey and the Housing Support Program Are Likely Cost-Effective Approaches to Addressing Homelessness

When considering how best to spend the public's money, the State's policymakers should have the information necessary to compare program costs and outcomes. To determine the cost-effectiveness of the state-funded efforts to address homelessness, we reviewed the five programs we described in the Introduction. We selected these programs by considering the amount of funding provided, and the types of assistance the programs offered. We found that two of the five—Homekey and the Housing Support Program—were likely cost-effective.

We reached this conclusion by reviewing the reported outcomes and costs of a selection of projects and services funded by each program. We then identified alternative possible courses of action to compare for cost-effectiveness. As we discuss in the next section, we did not have the data necessary to fully assess the other three, either because the programs were recently implemented or because program staff had not collected sufficient information on program outcomes.

Homekey

Department: California Department of Housing and Community Development

Year established: 2020

Funding: Round 1–$846 million; Round 2–$1.95 billion; Round 3–$817.3 million

Number of Recipients: Round 1–94; Round 2–116

Eligible uses: To convert existing buildings into housing for people experiencing homelessness.

1. Acquisition or rehabilitation of motels, hotels, or hostels.
2. Master leasing of properties.
3. Acquisition of other sites and assets with existing residential uses, such as care facilities.
4. Conversion of units from nonresidential to residential.
5. Purchase of affordability covenants and restrictions for units.
6. Relocation costs for individuals who are being displaced as a result of rehabilitation of existing units.
7. Capitalized operating subsidies.

Source: State law and Homekey funding notices.

As we previously explain, Homekey—which focuses on converting existing buildings into housing units for people at risk of or experiencing homelessness—appears cost-effective when compared to the cost of building new affordable housing units. This saves time and money and allows Homekey to create more units and house more people. Table 1 shows the cost-effectiveness comparison for Homekey.

Table 1
Assessment of the Cost-Effectiveness of Homekey Round 1

AVERAGE COST PER UNIT FUNDED BY HOMEKEY ROUND 1	AVERAGE COST PER UNIT FOR NEW AFFORDABLE HOUSING CONSTRUCTION IN CALIFORNIA IN 2019	LIKELY COST-EFFECTIVE?
$144,000	$380,000—$570,000	✓

Source: Analysis of program documentation and *Making It Pencil: The Math Behind Housing Development,* published by the Terner Center for Housing Innovation cited in HCD's 2021 report to the Legislature on Homekey Round 1.

We reviewed eight Homekey projects that received funding from Round 1 of the program. To calculate the average cost to produce a Homekey unit, we divided the amount of funds spent by the number of units the project was expected to produce. The average cost per unit for the eight projects we reviewed was about $144,000. A project in San Francisco had the highest per-unit cost of about $200,000, whereas a project in Fresno had the lowest per-unit cost of about $90,000 per unit.

These costs are significantly lower than the costs of building other affordable housing in the State. HCD compared the cost of Homekey housing to other affordable housing, reporting to the Legislature in 2021 that the average cost of one unit of newly built affordable housing in California in 2019 ranged from about $380,000 to $570,000, while the average cost of a Homekey unit in HCD's analysis was $129,000. This information aligns with the average we calculated for the eight projects we reviewed. In some parts of the State, such as the Bay Area, a newly built affordable housing unit can reportedly cost up to $1 million.

HCD's assistant deputy director explained that the program was more cost-effective and faster than building new construction units, and that data from Round 1 Homekey projects informed HCD's decisions in the program's subsequent funding rounds. For example, the State increased the time it allowed Round 2 projects to rehabilitate acquired units and ensure they were substantially occupied from three months to 15 months.

Although Homekey Rounds 2 and 3 have the potential to be as cost-effective as Round 1, those rounds are still in progress. Until the data are available on units built and people housed, we cannot fully determine the cost-effectiveness of these rounds.

CalWORKs Housing Support Program (housing support program)

Department: California Department of Social Services

Year Established: 2014

Funding: FY 2019–20: $95 million; FY 2020–21: $95 million; FY 2021–22: $285 million; FY 2022–23: $285 million

Recipients: As of fiscal year 2021–22, 55 counties operated the Housing Support Program.

Eligible uses: The program offers financial assistance and housing-related wraparound supportive services, including rental assistance, housing navigation, case management, security deposits, utility payments, moving costs, interim shelter assistance, legal services, and credit repair. The program serves families with children enrolled in CalWORKs who are experiencing homelessness or at risk of homelessness.

Source: State law and CDSS Website.

The Housing Support Program, which provides financial assistance to families at risk of or experiencing homelessness, is also likely cost-effective. Table 2 shows our cost-effectiveness comparison for the Housing Support Program. When we reviewed expenditure and outcome data for 10 counties in the Housing Support Program during the past four fiscal years, we found that those counties spent an average of $12,000 to $22,000 per fiscal year on families that received housing support through the program during this period. The U.S. Interagency Council on Homelessness noted that studies have found that a single chronically homeless person costs taxpayers as much as $30,000 to $50,000 per year. The National Alliance to End Homelessness reported a per-person cost to taxpayers of $35,578 per year, and in the legislation creating Cal ICH, the Legislature cited a cost of $2,897 per month—or approximately $35,000 annually—in crisis response services for a person experiencing homelessness in Los Angeles County. Thus, the Housing Support Program spent less to house or keep housed a family than taxpayers might otherwise expect to pay for an individual to be homeless. During the past four fiscal years, the 10 counties housed nearly 6,000 families. According to California Department of Social Services (CDSS) staff, comparing the cost of the Housing Support Program to the cost of a person's homelessness is a reasonable method of assessing the program's cost-effectiveness.

Table 2
Assessment of the Cost-Effectiveness of the CalWORKs Housing Support Program

AVERAGE ANNUAL COST PER FAMILY PERMANENTLY HOUSED BY THE PROGRAM	ESTIMATED COST TO TAXPAYERS OF ONE PERSON EXPERIENCING CHRONIC HOMELESSNESS	LIKELY COST-EFFECTIVE?
$12,000–$22,000 per household	$30,000–$50,000 per year	✓

Source: Analysis of program documentation and homelessness cost estimates cited by the U.S. Interagency Council on Homelessness, the National Alliance to End Homelessness, and the Legislature.

The data that CDSS collected from the counties related to the Housing Support Program contained sufficient outcome and expenditure information for us to assess cost-effectiveness. To track program performance and outcomes throughout the year, the department uses targets set by the counties for the number of families they intend to house. It also tracks monthly how many families continue to receive housing. We saw evidence it evaluated and monitored counties' activities to ensure that the counties adhered to evidence-based interventions, such as Housing First and Rapid Rehousing best practices, including not making housing contingent on participation in services. Cal ICH could consider CDSS's example when it creates its own approach to collecting and reporting data on state-funded homelessness programs, as we previously discuss.

The State Has Not Collected Sufficient Data to Assess the Cost-Effectiveness of the Other Three Programs We Reviewed

We were unable to fully assess the cost-effectiveness of three of the programs we reviewed—SRAP, HHAP, and ERF—because of limitations with the data the State has collected. Collectively, these programs received more than $9.4 billion in funding since 2020.

For example, we could not determine the long-term cost-effectiveness of SRAP, which provided financial assistance in response to the COVID-19 pandemic to help renters facing eviction, because HCD did not collect clear eviction outcome data. According to the online dashboard for the program as of January 2024, SRAP has served more than 370,000 households since its inception, averaging nearly $12,000 per household. HCD staff asserted that SRAP was effective because the program awarded the funding within statutory deadlines and assisted nearly 400,000 households, which staff believe prevented them from becoming homeless. According to state law, it was the Legislature's intent that the state monitor the usage of funding to ensure that the program stabilized households and prevented evictions; however, the law did not specifically require HCD to track evictions for those receiving SRAP funding. Although it is likely that the rental assistance provided by the program helped some avoid evictions, HCD did not collect eviction data that would enable it to determine whether and how many SRAP beneficiaries might have fallen back into homelessness. The program has now essentially ended because it is no longer accepting applications, and the State is left without an understanding of what percentage of SRAP recipients were unable to avoid eviction, or whether the amounts provided to households were sufficient.

State Rental Assistance Program (SRAP)

Department: California Department of Housing and Community Development

Year Established: 2021

Funding: The federal government provided $4.8 billion to cities and counties in California.

Recipients: 67 cities and counties.

Eligible uses:

1. Rental arrears.
2. Prospective rent payments.
3. Utilities, including arrears and prospective payments.
4. Any other expenses related to housing.
5. Any additional use authorized by federal law.

Source: Federal and state law, SRAP funding notices.

We were similarly unable to determine the cost-effectiveness of HHAP Round 1 because of the lack of clear data about outcomes for people who received HHAP-funded services. The HHAP program provides funding for a variety of services that address multiple aspects of homelessness, including providing interim housing. Cal ICH tracks the spending of HHAP funds by individual eligible use categories. Such tracking shows that, as of December 2022, about half of the HHAP Round 1 funding had been used for emergency shelters and operating subsidies. The amount used for each other eligible use was less than 15 percent.

Determining HHAP's cost-effectiveness would require data on the outcomes of each of the HHAP-funded services and a comparison for each service. Although Cal ICH collects some data when a person exits an HHAP-funded service, those data are insufficient for evaluating the program's cost-effectiveness. For example, CoCs' exit survey data for people served by HHAP Round 1 funds document people's intended destinations following their participation in a program. The survey options include permanent housing, a return to homelessness, or an unknown destination. The data we analyzed from four CoCs (Los Angeles, San Diego, San José/Santa Clara, and San Francisco) showed that nearly one-third of the exits from HHAP Round 1-funded services left those services for unknown destinations. Because an *unknown destination* can indicate that the person did not know the destination, that the person refused to answer, that the data was not collected, or that the exit interview was not conducted, we cannot determine whether these people actually exited homelessness. These ambiguous data for nearly one-third of the exits inhibits any comparison of program costs and outcomes, demonstrating the need for Cal ICH to establish more specific parameters for the data that programs are required to collect and report.

Homeless Housing, Assistance and Prevention Program (HHAP)

Department: California Interagency Council on Homelessness

Year Established: 2019

Funding: Round 1–$650 million; Round 2–$300 million; Round 3–$1 billion; Round 4–$1 billion; Round 5–$1 billion

Recipients: CoCs, counties, large cities.

Eligible Uses:

1. Rental assistance and rapid re-housing.
2. Operating subsidies in new and existing units.
3. Landlord incentives.
4. Outreach and coordination.
5. Support for homelessness services and housing delivery systems.
6. Delivery of permanent housing and innovative housing solutions.
7. Prevention and shelter diversion to permanent housing.
8. New navigation centers and emergency shelters.

Source: State law and HHAP funding notices.

Despite not conducting an analysis of the cost-effectiveness of HHAP Round 1, the State authorized billions of dollars in funding for four additional rounds. The Legislature made significant changes to the program that began with Round 3, requiring that applicants establish measureable outcome goals, such as reducing the number of people experiencing homelessness and reducing the length of time that people remain homeless. To the extent CoCs establish meaningful outcome goals, the goals should provide better benchmarks against which the State can measure spending and evaluate cost-effectiveness.

Grantees have until June 2026 to spend the funds from HHAP Rounds 2 and 3, and until June 2027 for Round 4. Consequently, the State will likely be unable to fully assess the effects of that $2.3 billion in funding for years. The HHAP Round 5 application period opened in September 2023; however, the State has not yet awarded $1 billion of funding. The Legislature intends to transfer all grant programs that Cal ICH administers to HCD on or before July 1, 2024, so HCD will likely be the entity that can perform future assessments of HHAP cost-effectiveness.

Encampment Resolution Funding (ERF)

Department: California Interagency Council on Homelessness

Year Established: 2021

Funding: $750 million ($50 million for round one; $300 million for round two, and $400 million for round 3).

Recipients: Cities, Counties, CoCs.

Round 1 Eligible Uses:

1. Direct Services and Housing Options.
2. Capacity Building.
3. Sustainable Outcomes.
4. Administration.

Source: State law, State Budget, and Cal ICH Funding Notice.

We also could not determine the cost-effectiveness of the ERF program—which transitions people from encampments into safe and stable housing. Cal ICH has not collected complete outcome data for this program, and the expenditure data it has collected may be unreliable. As a condition of its grant agreement, Cal ICH requires that grantees use a template that it created to submit program outcome data about the people the grantees served. Despite this requirement, four of the 10 grantees we reviewed had submitted incomplete or unusable outcome data as of July 2023. Moreover, two of the four grantees did not use the required template. For the template fields for gathering information about people served, including those necessary to determine the number of people permanently housed, multiple grantees entered the words "data not collected" or simply left the fields blank. Cal ICH relies on self-certified data from grantees and does not attempt to verify the completeness or accuracy of the data submitted. Therefore, the number of people reported as permanently housed through the program is likely incomplete or inaccurate.

Further, Cal ICH does not appear to enforce the reporting requirement. Cal ICH staff explained that the agency started with a small staff. They indicated that as the programs it administered grew in funding and new programs were added, it attempted to hire additional staff to monitor grantee reports. When we asked Cal ICH how it responded to incomplete or unusable outcome data, staff asserted that they contacted grantees to ensure that the outcome data was complete and in the required format. However, when we asked for documentation, staff could provide only emails they sent to three grantees after we brought the issue to Cal ICH's attention. In these emails, they requested the grantees to use the required template.

State law requires ERF Round 1 grantees to spend 50 percent of grant funds by June 30, 2023, and Cal ICH provided documentation of its efforts to ensure that grantees met the expenditure deadline. It sent multiple emails to grantees reminding them of the deadline, held support meetings with grantees to determine how they would meet the deadline, and provided technical assistance. All 10 grantees we reviewed appear to have met the 50 percent expenditure deadline. However, Cal ICH relies on grantees' self-certifying the accuracy of the expenditure amounts.

The State awarded ERF Rounds 2 and 3 to grantees beginning in June 2023, and at the time of our review, the grantees were not yet required to spend the funds. The earliest deadline requires Round 2 grantees to spend half of their allocation by June 30, 2024. As a result, there were not enough data available at the time of our review to assess the cost-effectiveness of these grants.

Recommendations

The following are the recommendations we made as a result of our audit. Descriptions of the findings and conclusions that led to these recommendations can be found in the sections of this report.

Legislature

To promote transparency, accountability, and effective decision-making related to the State's efforts to address homelessness, the Legislature should amend state law to require Cal ICH, by March 2025, to mandate reporting by state agencies of costs and outcomes of state homelessness programs. To implement such reporting, the Legislature should require Cal ICH to develop guidance establishing specifics on uniformity of data to be collected and how it is to be presented. The Legislature should require Cal ICH to annually compile and report this cost and outcome information publicly beginning in September 2025 and should provide resources for this effort, as necessary.

Cal ICH

To ensure that its 2024 update to its action plan aligns with the statutory goals that the Legislature has established, Cal ICH should clearly identify in that update the statutory goal or goals that each of the action plan's objectives addresses.

To promote transparency, accountability, and effective decision-making related to the State's efforts to address homelessness, Cal ICH should request that state agencies responsible for administering state-funded homelessness programs provide spending- and outcome-related information for people entering, experiencing, and exiting homelessness. By March 2025, Cal ICH should develop and publish on its website a scorecard—or similar instrument—on the homelessness programs that would enable the Legislature and other policymakers to better understand each program's specific costs and outcomes. Cal ICH should determine and request from the Legislature any necessary resources required for this effort.

To ensure that the State has consistent, accurate, and comparable data for all state-funded homelessness programs, by March 2025, Cal ICH should work with CoCs to implement standardized data requirements that programs must follow when entering information into HMIS. The requirements should establish expectations defining CoCs' responsibilities for ensuring data accuracy and reliability.

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Other Areas We Reviewed

To address the audit objectives approved by the Joint Legislative Audit Committee (Audit Committee), we also reviewed housing placements and the sharing of homelessness data.

Most Placements of Unsheltered People Into Interim Housing Do Not End Up in Permanent Housing

The vast majority of housing placements for Californians experiencing unsheltered homelessness involve interim housing. The text box describes the types of interim and permanent housing. Interim housing is a critical service that protects people from many of the impacts of unsheltered homelessness, including health and safety risks. Using information in the state data system, we identified placements of unsheltered people into housing from July 2019 through March 2023. As Figure 6 shows, 86 percent of placements statewide moved people into interim housing rather than into permanent housing. Appendix B shows additional details about placements. The placement of individuals into interim housing likely occurs in part because of the lack of available permanent housing in the State.

Nonetheless, the final phase of homelessness—exiting homelessness—should ideally culminate with individuals living in permanent housing. People experiencing unsheltered homelessness who were placed into interim housing had worse outcomes when exiting the placement than those placed into permanent housing. Specifically, the data show that only 13 percent of the exits from interim housing placements reported individuals moving into permanent housing. In contrast, the data show that 84 percent of exits from permanent housing placements reported individuals moving into other permanent housing.[7] The data further show that 44 percent of the exits from interim housing reported individuals returning to homelessness, as opposed to 4 percent of exits from permanent housing placements.

Types of Interim Housing

Emergency Shelter: Any facility with the primary purpose of providing a temporary shelter for the homeless in general or for specific populations of the homeless and which does not require occupants to sign leases or occupancy agreements.

Transitional Housing: Housing that facilitates the movement of homeless individuals and families into permanent housing within 24 months or longer, as determined necessary.

Safe Haven: Supportive housing that serves hard-to-reach homeless persons with severe mental illness who came from the streets and have been unwilling or unable to participate in supportive services.

Types of Permanent Housing

Rapid Rehousing: Housing relocation and stabilization services and short-term and medium-term rental assistance as necessary to help a homeless individual or family move as quickly as possible into permanent housing and achieve stability in that housing.

Permanent Supportive Housing: Permanent housing in which supportive services are provided to assist homeless persons with a disability to live independently.

Other Permanent Housing: This includes permanent housing with supportive services for persons experiencing homelessness who do not have a disability and long-term housing without supportive services.

Source: Federal Law.

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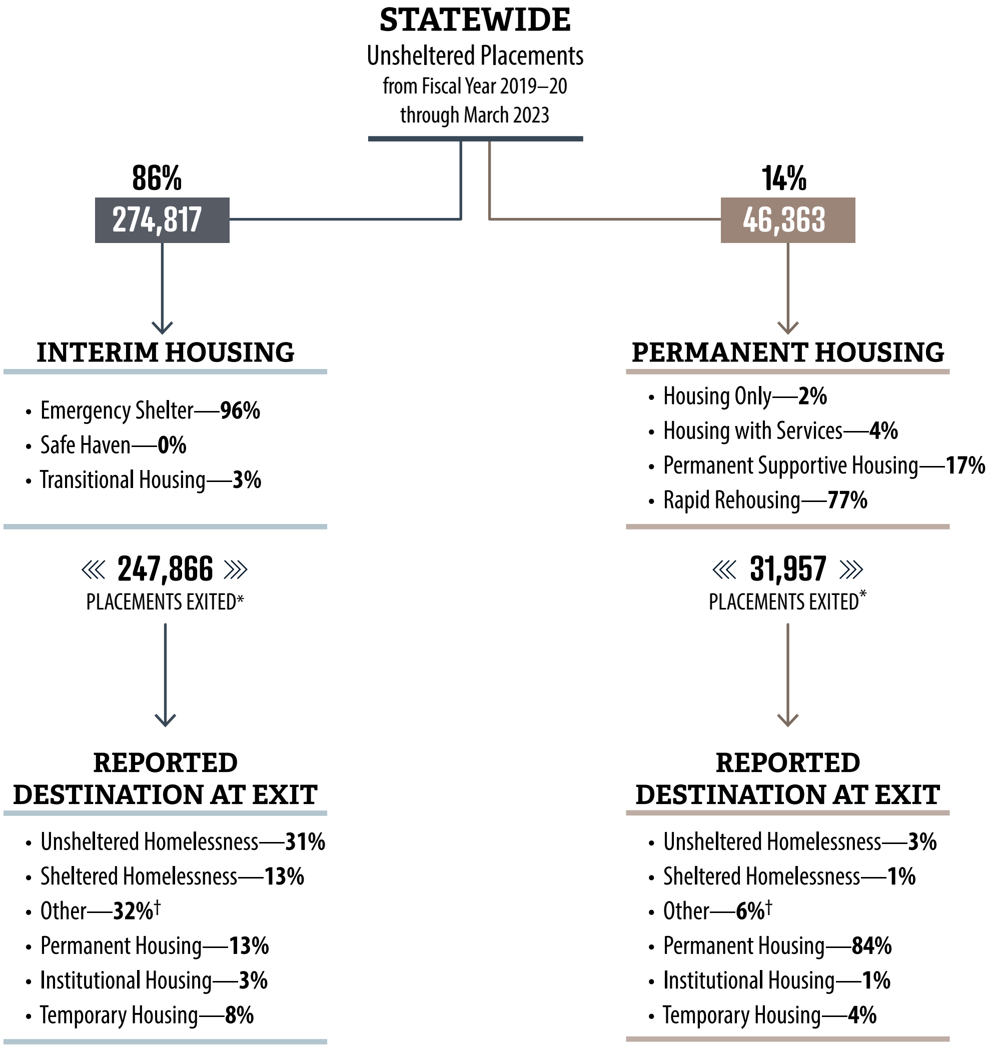
[7] People can "exit" from permanent housing placements and at that time they report their next living situation. For example, when someone receives short- or medium-term rapid rehousing services, which HUD defines as a permanent housing placement, they "exit" after they stop receiving rental assistance or supportive services. At that time, their next living situation could be another permanent housing location, such as an apartment they rent, or could be a return to homelessness.

Figure 6
Unsheltered Placements and Outcomes


STATEWIDE
Unsheltered Placements
from Fiscal Year 2019–20
through March 2023
86%
274,817
14%
46,363
INTERIM HOUSING
• Emergency Shelter—96%
• Safe Haven—0%
• Transitional Housing—3%
PERMANENT HOUSING
• Housing Only—2%
• Housing with Services—4%
• Permanent Supportive Housing—17%
• Rapid Rehousing—77%
247,866
PLACEMENTS EXITED*
31,957
PLACEMENTS EXITED*
REPORTED DESTINATION AT EXIT
• Unsheltered Homelessness—31%
• Sheltered Homelessness—13%
• Other—32%†
• Permanent Housing—13%
• Institutional Housing—3%
• Temporary Housing—8%
REPORTED DESTINATION AT EXIT
• Unsheltered Homelessness—3%
• Sheltered Homelessness—1%
• Other—6%†
• Permanent Housing—84%
• Institutional Housing—1%
• Temporary Housing—4%

Source: Homeless Data Integration System.

Note: Rounding of numbers may prevent percentages from totaling 100.

* Some placements of individuals showed that the person had not yet exited the program and was still enrolled and receiving shelter or housing services as of the date we obtained the data; therefore, the number of placements is higher than the number of those who exited the program.

† Category *Other* can include the following: *worker unable to determine, client doesn't know, client prefers not to answer, data not collected,* or *other.*

Permanent housing outcomes for people in federally-funded programs are shown in the text box at right and generally align with the outcomes of programs that were not federally-funded. However, we were unable to separate out the permanent housing outcomes for the subcategory of state-funded programs from the overall permanent housing outcomes because of inconsistent data. Each federal program has a code that a service provider selects when entering information about projects into HMIS. Using this code, we could determine the outcomes for federally funded programs. Until July 2023, state programs did not have similar program codes; instead, the service provider who entered the data typed the program name into a text field. This practice led to inconsistent entries for state programs, because each service provider might type something different for the same program. For example, the HHAP program has been entered as "CA-HCFC-HHAP 1," "HHAP," "State HHAP," "County HHAP-1," as well as other variations. These inconsistencies make the data unreliable for identifying programs to determine permanent housing outcomes.

Since July 2023, providers that receive state funding are required to provide state funding information according to Cal ICH instructions that include state-specific codes. Thus, going forward, the state data should have more complete funding source information. This will allow the State to better determine the outcomes associated with state programs such as HHAP.

Outcomes for People Exiting Placements in Permanent Housing Funded by Federal Programs

STATEWIDE

- 82 percent left to some type of permanent housing
- 4 percent left to homelessness

Source: State data system data for placements from July 2019 through March 2023.

Cal ICH Has Recently Begun Facilitating the Sharing of Certain Data Related to Homelessness Programs

Several federal and state laws and regulations may impede the ability of the State or local jurisdictions to accurately assess and track certain information about people who are experiencing homelessness. The text box lists some of these laws. Generally, the laws and regulations protect the confidentiality of personal information. However, in doing so, they also could limit the collecting and sharing of data to evaluate homelessness efforts and may also affect access to supportive services.

Federal and state laws limit the data that can be shared without consent.

FEDERAL

Health Insurance Portability and Accountability Act: Applies to health plans and certain health care providers. Some protected health information data may be disclosed without consent if the data will only be used for limited purposes.

Family Educational Rights and Privacy Act: Applies to educational agencies or institutions that receive federal funding. Personally identifiable information from educational records can be disclosed without consent as long as it is used for purposes related to that person's education.

Violence Against Women Act: Applies to covered housing providers who serve victims of domestic or dating violence, sexual assault, or stalking. The providers cannot share a victim's information without consent of the victim.

HMIS Standards: Client consent is required to share data, but not to enter data into HMIS.

Substance Abuse Records: Some records can be disclosed without consent in case of medical emergency, research, or audit purposes. Consent form must outline exactly what can be disclosed; can be revoked at any time.

STATE

Confidentiality of Medical Information Act: Individual must consent to disclosure of medical information by a healthcare plan or provider unless there is a court order, search warrant, death investigation, or need for diagnosis or treatment.

Information Privacy Act of 1977: Individual must consent to disclosure of personal information by a State agency unless there is a legal requirement or a medical necessity.

Juvenile Case Records: Files may only be accessed by someone who is related to, works with, or represents the child.

Source: Federal and state law.

The main source of data about people experiencing homelessness is local HMISs. As we previously discuss, the CoCs are responsible for collecting data in an HMIS from entities that provide services to people experiencing homelessness. When doing so, they must ensure compliance with federal privacy and security standards. These standards allow for certain uses of people's protected personal information (protected information), including for the provision and coordination of services, service payment and reimbursement, administrative functions such as audits, and the removal of duplicate data. CoCs use signed consent forms to allow them to share the data provided by people who access homelessness services.

Although local governments generally have access to the data they input into their HMIS, they might not have access to personal information added by other entities. However, effective January 2018, state law began allowing agencies that provide services to people experiencing homelessness, including cities, to establish multidisciplinary teams to share information that is confidential under state law with one another under certain circumstances. Each county that establishes a multidisciplinary team must have protocols for sharing data within these teams. Further, they must provide these protocols to CDSS, which is a member agency of Cal ICH. However, we recognize that federal law might still present barriers to sharing data.

In addition, Cal ICH has begun to facilitate some data-sharing with CoCs by making available a dashboard with anonymized aggregate data—such as the number of people accessing particular services—that it receives from each of the CoCs. Doing so may enable local jurisdictions to analyze the data and to better identify and understand the services that are being provided and outcomes of those services.

We conducted this performance audit in accordance with generally accepted government auditing standards and under the authority vested in the California State Auditor by section 8543 et seq. of the California Government Code. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,

GRANT PARKS
California State Auditor

April 9, 2024

Staff: Nicholas Kolitsos, CPA, Principal Auditor
Jordan Wright, CFE, Principal Auditor
Chris Paparian, Senior Auditor
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Appendix A

Statewide Homelessness Assessment: Programs and Funding

Fiscal Years 2018–19 Through 2020–21

Cal ICH published a Statewide Homelessness Assessment (homelessness assessment) in 2023 for the Legislature. The Legislature's intent in requesting the assessment was to obtain trustworthy information to connect funding allocated to prevent and end homelessness with established sheltering and housing resources and to provide state agencies with accurate information for more accurate forecasting to target future investments. The homelessness assessment covered fiscal years 2018–19 through 2020–21. Table A shows the list of state programs and funding that Cal ICH identified in the homelessness assessment. Because the State has awarded a significant amount of additional funding and created new homelessness programs, we believe that the State's policymakers and the public need regular updates of this information to evaluate the effectiveness of state spending to prevent and end homelessness.

Table A
Statewide Homelessness Assessment Programs and Funding

LEAD AGENCY	PROGRAM NAME	DESCRIPTION	FUNDING FISCAL YEAR 2018–19 TO 2020–21	FUNDING MECHANISM	FUNDING SOURCE
TCAC	Low-Income Housing Tax Credit	Corporations provide equity to build affordable housing in exchange for tax credits (either 9% or 4%).	$2,026,040,165	Tax Credit	State and Federal
HCD	No Place Like Home	Funds the development of permanent supportive housing for people who are who are experiencing homelessness or at risk of chronic homelessness and in need of mental health services.	1,345,074,418	Grant	Proposition
DHCS	Whole Person Care Pilot Program	Coordinates health, behavioral health, and social services.	1,038,734,950	Grant	Federal
Cal ICH	Homeless Housing, Assistance and Prevention Program Rounds 1 and 2	Provides local jurisdictions with funds to support regional coordination and expand or develop local capacity to address immediate homelessness challenges and develop a unified regional response.	950,000,000	Grant	State
HCD	Homekey	Sustains and rapidly expands housing for people experiencing homelessness by, for example, rehabilitating motels or hotels.	797,000,000	Grant	State and Federal
HCD	Multifamily Housing Program	Provides low-interest, long-term deferred payment loans for new construction, rehabilitiation, and preservation of permanent and transitional rental housing for lower-income households.	778,576,713	Grant	Proposition
Cal ICH	Homeless Emergency Aid Program	Provides direct assistance to CoCs and large cities to address the homelessness crisis.	500,000,000	Grant	State
HCD	Emergency Solutions Grants Coronavirus Funds	Funding to help prevent, prepare for, and respond to COVID-19 among people experiencing homelessness and support assistance and prevention activities to mitigate impacts of COVID-19.	310,905,362	Grant	Federal

continued on next page . . .

LEAD AGENCY	PROGRAM NAME	DESCRIPTION	FUNDING FISCAL YEAR 2018–19 TO 2020–21	FUNDING MECHANISM	FUNDING SOURCE
HCD	Veterans Housing and Homelessness Prevention Program	Provides long-term loans for the acquisition, construction, rehabilitation, and preservation of affordable multifamily housing for veterans and their families.	$285,002,114	Grant	State
CDSS	CalWORKs Housing Support Program	Provides families enrolled in CalWORKs with rapid rehousing, rental assistance, and wraparound case management.	259,158,940	Grant	State and Federal
CDSS	CalWORKs Homeless Assistance	Helps families enrolled in CalWORKs secure or maintain permanent housing or provides temporary shelter.	167,719,302	Grant	State and Federal
HCD	Housing for a Healthy California (Articles I and II)	Creates supportive housing for individuals who are either recipients of or are eligible to receive services from Medi-Cal.	126,173,838	Grants and Loans	State and Federal
HCD	Supportive Housing Multifamily Program	Provides low-interest loans to developers of permanent affordable rental housing that contain supportive housing units.	125,950,630	Loan	Proposition
CDSS	Project Roomkey	Provided temporary non-congregate shelter options during the COVID-19 pandemic.	109,000,000	Grant	State
Cal ICH	COVID-19 Emergency Grant Fund	Provided emergency funding to prevent people from experiencing homelessness by getting them into shelters and providing immediate housing options.	100,000,000	Grant	State
HCD	Community Development Block Grant Program	Provides funding for creating and expanding community and economic development opportunities for low- and moderate-income residents.	98,249,135	Grant	State and Federal
CalOES	Domestic Violence Housing First Program	Helps victims of domestic violence by providing permanent housing and ongoing supportive services.	90,496,129	Grant	State and Federal
HCD	California Emergency Solutions and Housing Program	Provides funds for housing relocation and stabilization, subsidies for permanent housing, flexible housing subsidy funds, emergency housing interventions, and systems support to assist people at risk of or experiencing homelessness.	83,202,726	Grant	State
CalHFA	Special Needs Housing Program	Allows governments to use Mental Health Services Act funds to develop permanent supportive rental housing for individuals with serious mental illness and their families.	79,188,656	Subsidy Loan	State
CDSS	Housing and Disability Advocacy Program	Funds outreach, case management, disability advocacy, and housing-related support to individuals who are likely eligible for disability benefits.	49,995,700	Grant	State
DHCS	Homeless Mentally Ill Outreach and Treatment Program	Provided funds for activities focused on the needs of individuals with serious mental illness who are experiencing homelessness or at risk of homelessness.	49,800,000	Grant	State
CalOES	Transitional Housing Program	Provides victims of crimes with transitional/short-term housing with services and has the goal of moving them into permanent housing.	43,124,504	Grant	Federal
HCD	Emergency Solutions Grants Program	Provides funds to support a variety of activities to address homelessness.	36,330,535	Grant	Federal
DHCS	Projects for Assistance in Transition from Homelessness	Funds community-based outreach, mental health and susbtance abuse referral/treatment, case management, and other support services.	26,440,696	Grant	Federal

LEAD AGENCY	PROGRAM NAME	DESCRIPTION	FUNDING FISCAL YEAR 2018–19 TO 2020–21	FUNDING MECHANISM	FUNDING SOURCE
CDSS	Bringing Families Home Program	Provides financial assistance and housing-related wraparound services to families involved with the child welfare system who are at risk of or experiencing homelessness.	$24,384,559	Grant	State
CalOES	Specialized Emergency Housing Program	Expands emergency shelter, emergency housing assistance, and supportive services for people who are victims of crimes with specialized needs.	23,626,451	Grant	Federal
CCCCO	College Homeless and Housing Insecure Pilot Program	Recipient colleges were required to partner with community organizations that provide wraparound services and rental subsidies for students experiencing homelessness or housing insecurity.	18,000,000	Grant	State
HCD	Transitional Housing Program	Provides funding to help young adults find and maintain housing, with priority for those formerly in foster care or probation systems.	15,264,800	Grant	State
CDSS	Home Safe Program	Provides various housing stability services, such as financial assistance, case management, and eviction prevention, for individuals in Adult Protective Services.	14,500,000	Grant	State
CalOES	Homeless Youth Emergency Services and Housing Program	Provides access to housing, crisis intervention services, and stabilization services.	6,336,500	Grant	State
CDCR	Long Term Offender Reentry Recovery Program	Establishes contracts with provider organizations for services such as transitional housing.	5,222,660	Grant	State
HCD	Housing Navigators Program	Helps young adults experiencing homelessness find housing, provides case management and various services, and pays deposits.	5,000,000	Grant	State
HCD	Pet Assistance and Support Program	Provides food, shelter, and basic veterinary care for the pets of people experiencing homelessness.	5,000,000	Grant	State
CalOES	Homeless Youth and Exploitation Program	Helps youth experiencing homelessness through access to food, shelter, counseling, basic health provisions, and other services.	3,242,310	Grant	State and Federal
CalOES	Homeless Youth Innovative Services Program	Provided one-time funding to organizations to develop projects to help youth experiencing homelessness exit street life.	1,000,000	Grant	State
		Total	**$9,597,741,793**		

Source: Statewide Homelessness Assessment.

Note: Since the period covered by the statewide homelessness assessment, the State has implemented additional homelessness programs and awarded additional funding.

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Appendix B

Placements Into Interim and Permanent Housing

From Fiscal Year 2019–20 through March 2023

We used the state data system to identify the number of times a reporting entity placed people into different types of housing. Table B below shows the number of placements into both permanent and interim housing. Statewide, the table shows how many placements of people were in each category of housing, with the majority placed into interim housing—emergency shelter, in particular.

Table B
Interim and Permanent Housing Placements

	FISCAL YEAR				
STATEWIDE*	**2019–20**	**2020–21**	**2021–22**	**2022–MARCH 2023**	**TOTAL**
Permanent Housing (PH)					
PH-Housing Only	64	78	328	549	1,019
PH-Housing With Services (no disability required for entry)	286	334	547	491	1,658
PH-Permanent Supportive Housing (disability required for entry)	2,571	1,893	1,961	1,550	7,975
PH-Rapid Re-Housing	10,975	8,161	9,142	7,433	35,711
Subtotal	**13,896**	**10,466**	**11,978**	**10,023**	**46,363**
Interim Housing					
Emergency Shelter	73,730	60,961	70,007	59,943	264,641
Safe Haven	201	125	149	170	645
Transitional Housing	2,518	2,221	2,536	2,256	9,531
Subtotal	**76,449**	**63,307**	**72,692**	**62,369**	**274,817**
Total	**90,345**	**73,773**	**84,670**	**72,392**	**321,180**

Source: State data system.

* This table counts an individual once for each housing placement; therefore, a person can be counted more than once.

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Appendix C

Scope and Methodology

The Audit Committee directed the California State Auditor to conduct an audit to assess the effectiveness of the State's spending on homelessness. Specifically, the Audit Committee asked us to review the State's structure and efforts for funding and addressing homelessness and the cost-effectiveness of a selection of five state homelessness programs. Table C below lists the objectives that the Audit Committee approved and the methods we used to address them. The Audit Committee also requested that we review the outcomes that the city of San José and another city achieved with federal, state, and local homelessness funding. The results of our review of these two cities is included in a separate report (2023-102.2). Unless otherwise stated in the table or elsewhere in the report, statements and conclusions about items selected for review should not be projected to the population.

Table C
Audit Objectives and the Methods Used to Address Them

	AUDIT OBJECTIVE	METHOD
1	Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed and evaluated state and federal laws and regulations applicable to the state departments and state programs we reviewed.
2	Review and evaluate the State's structure and efforts for funding and addressing homelessness, including the role of Cal ICH. a. Identify measures used by the State to calculate the cost-effectiveness of its programs, and determine how many individuals received shelter and services annually in fiscal years 2020–21 through 2022–23. For a selection of up to five programs, assess the cost-effectiveness of these programs. b. Determine whether state or federal laws or regulations impede the ability of the State or local jurisdictions to accurately assess and track the population experiencing homelessness. c. Identify any impediments to State and local jurisdictions' sharing of data and meaningful collaboration.	• Reviewed laws and regulations that outline the establishment and role of Cal ICH. • Identified the state agencies that are members of Cal ICH. • Identified state agencies that administer programs for addressing and preventing homelessness and the amount of funding the State allocated to its homelessness programs by reviewing the Statewide Homelessness Assessment. • Interviewed Cal ICH staff to understand its role in coordinating the State's approach to addressing homelessness. • Identified state and federal funding sources for homelessness programs. • Identified the State's homelessness programs and selected five for review. • Reviewed expenditures, people served, and outcome data for the selected programs in order to assess their cost-effectiveness. • Analyzed data about the State's population of those experiencing homelessness to determine the number of unsheltered individuals placed in shelter or housing, the outcomes faced by people experiencing homelessness, and the services they receive. • Interviewed Cal ICH staff about how it collects and uses data from CoCs. • Reviewed state and federal laws and regulations related to data collection, privacy, and sharing. • Interviewed state staff to understand any impediments they face in sharing data and in collaborating with one another.
3	Review and assess any other issues that are significant to the audit.	None identified.

Source: Audit workpapers.

Assessment of Data Reliability

The U.S. Government Accountability Office, whose standards we are statutorily obligated to follow, requires us to assess the sufficiency and appropriateness of any computer-processed information we use to support our findings, conclusions, and recommendations. In performing this audit, we relied on electronic data obtained from Cal ICH's state data system for the period July 1, 2019, through March 31, 2023. To evaluate the data, we reviewed existing information, interviewed people knowledgeable about the data, and performed electronic testing of key elements of the data. We identified problems with the state data system data, such as the inclusion of deleted records, test entries, and illogical entries, such as some enrollment numbers that exceeded the bed capacity of the corresponding shelters. Consequently, we found the data to be of undetermined reliability for the purposes of analyzing the number and duration of those enrolled in homelessness services. Although the data may contain errors that affect the precision of the numbers we presented, we concluded that there is sufficient evidence in total to support our findings, conclusions, and recommendations.

CDSS
STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • *www.cdss.ca.gov*

KIM JOHNSON
DIRECTOR

GAVIN NEWSOM
GOVERNOR

February 16, 2024

Grant Parks
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

SUBJECT: CALIFORNIA STATE AUDITOR REPORT 2023-102

Dear Mr. Parks:

The California Department of Social Services (CDSS) submits below the responses to the California State Auditor's (CSA) 2023-12 draft report.

CSA DRAFT REPORT:

CSA found that the CalWORKs Housing Support Program was likely cost-effective and did not have any recommendations for CDSS to address. CDSS further reviewed the draft report for factual inaccuracies and found none.

Questions or requests for clarification regarding the information in this letter should be directed to Marta Galan, Branch Manager of the Housing and Homelessness Division, Operations, Data, and Integration Branch at Marta.Galan@dss.ca.gov and copied to Debbie Richardson at Debbie.Richardson@dss.ca.gov.

In partnership,

Hanna Azemati

Hanna Azemati
Deputy Director Housing and Homelessness Division

cc Nicolas Kolitsos, CSA
Jordan Wright, CSA
Claire Ramsey, Chief Deputy Director, CDSS
Julianna Vignalats, Chief Operating Officer (Acting), CDSS
Keri Tippins, Senior Assistant Chief Counsel, Legal Division, CDSS
Maria Hudson, Deputy Director, Administration Division, CDSS
Debbie Richardson, Chief, Office of Audit Services Branch, CDSS

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CAL ICH | California Interagency Council on Homelessness

Gavin Newsom, Governor
Tomiquia Moss, Secretary, Business Consumer Services and Housing Agency

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February 21, 2024

Grant Parks, State Auditor*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Re: 2023-102.1 State and Local Homelessness Audit

Dear Mr. Parks,

The California Interagency Council on Homelessness (Cal ICH) hereby submits the enclosed response to the California State Auditor (CSA) draft report number 2023-102.1 titled, "The State Must Do More to Assess the Cost-Effectiveness of Homelessness Programs."

Cal ICH, formerly known as the Homeless Coordinating and Financing Council, was established in 2016 and tasked with the mission of providing state level policy coordination, overseeing the implementation of Housing First, and identifying resources and services with the end goal to prevent and end homelessness in California.[1] Starting in 2018, Cal ICH was tasked with administering state grant programs. Cal ICH takes seriously its responsibility to effectively administer these programs and safeguard public funds.

As CSA mentions in the report, AB 129 (Chapter 40, Statutes of 2023) was enacted last year and expressly states legislative intent to transition grants administration from Cal ICH to the Department of Housing and Community Development commencing in Fiscal Year 2024-25.[2] This administrative transition is intended to serve the dual purpose of streamlining the administration of the State's housing and homelessness programs, and support Cal ICH in providing statewide policy coordination and development.[3] As Cal ICH continues its efforts to effectuate this administrative transition, it is critically important to adopt measures to improve program administration, including recommendations identified by the CSA that are either already being implemented or planned to be implemented in the near future. Based on the foregoing, Cal ICH generally agrees with the recommendations provided by CSA and will take appropriate measures to implement where possible.

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[1] Senate Bill 1380 (Chapter 847, Statutes of 2016)
[2] Health and Safety Code § 50231.
[3] *Id*.

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* California State Auditor's comment appears on page 47.

Responses to Cal ICH specific recommendations are as follows:

> **Recommendation 1: "**To ensure that its 2024 update to its action plan aligns with its statutory goals, the homelessness council should clearly identify in that update the statutory goal or goals that each of the action plan's objectives addresses."

Cal ICH agrees with this recommendation.

The purpose of the Action Plan was to orient the State's efforts to drive purposeful, meaningful, and measurable progress toward preventing and ending homelessness in California. While Councilmember agencies and departments do report on specific program outcomes in the Action Plan Implementation Report, Cal ICH agrees the Action Plan should be a vehicle to more directly track progress towards its 19 statutory goals. The most recent Action Plan Implementation Progress Report can be found here.[†]

①

> **Recommendation 2: "**To promote transparency, accountability, and effective decision-making related to the State's efforts to address homelessness, the homelessness council should request that state agencies responsible for administering state-funded homelessness programs provide spending- and outcome-related information for people entering, experiencing, and exiting homelessness. By March 2025, the council should develop and publish on its website a scorecard—or similar instrument—on the homelessness programs that would enable the Legislature and other policy-makers to better understand each program's specific costs and outcomes."

Cal ICH generally agrees with the intent of the recommendation but notes that limited existing resources and authorities limit its ability to implement this recommendation.

AB 140 (Chapter 111, Statutes of 2021) required Cal ICH to complete a one-time assessment of homelessness funding and outcomes. This assessment directly supported the nineteenth statutory goal "to collect, compile, and make available to the public financial data provided to the council from all state-funded homelessness programs." Due to the lack of existing resources to conduct this assessment internally, Cal ICH was provided with one-time funding of $5.6 million to complete this report.[‡] Additional resources would be needed to conduct and update the same or similar analysis on an ongoing basis.

Cal ICH agrees with CSA that it has a goal "to collect, compile, and make available to the public financial data provided to the council from all state-funded homelessness programs," and that Cal ICH has legal authority to request departments and agencies to provide internal, financial data on specific programs. However, without additional resources on an ongoing basis, Cal ICH will not have the capacity to ① effectively use all of the financial data that it has authority to request. Cal ICH requests CSA expand their recommendation to include ongoing funding to support the effective implementation of this request.

Additionally, Cal ICH notes that significant additional data requests from Cal ICH to relevant departments imposes workload on those departments—as such, resource levels at those departments may also impact the ability to implement this recommendation.

[†] Action Plan Implementation Progress Report: https://www.bcsh.ca.gov/calich/documents/action_plan_2022-2023.pdf

[‡] assessment report: https://www.bcsh.ca.gov/calich/documents/homelessness_assessment.pdf

> **Recommendation 3: "**To ensure that the State has consistent, accurate, and comparable data for all state-funded homelessness programs, by March 2025 the homelessness council should work with CoCs to implement standardized data requirements that programs must follow when entering information into HMIS. The requirements should establish expectations defining CoC's responsibilities for ensuring data accuracy and reliability."

Cal ICH agrees with this recommendation and notes that the existing Homeless Data Integration System (HDIS) already serves to standardize much of the data reporting from the 44 CoCs across the state and Cal ICH remains committed to continuously improving data quality and consistency.

Cal ICH created HDIS in 2021 to improve statewide data collection and coordination on homelessness. HDIS compiles and processes data collected from all 44 CoCs into a statewide data warehouse. HDIS was the first state-level system of its kind in California, providing the most comprehensive and accurate data system available to measure the provision of homelessness services and associated outcomes.
Cal ICH would like to respond to CSA findings related to data quality and consistency.

1. Cal ICH Uses a Multi-Layer Verification System to Ensure Data Quality

Cal ICH uses a multi-layer process to ensure data quality. First, CoCs are responsible for ensuring the accuracy of the information submitted to HDIS. Cal ICH has agreements with each CoC (referred to as Data Use Agreements) that outline the terms of data sharing between the State and the respective CoC. These agreements outlined that the "CoC shall have responsibility for the accuracy and quality of the Data" provided to BCSH.

Second, to further support data accuracy, Cal ICH reviews the data provided by CoCs to ensure the data is complete, in the correct format, and that changes in the record counts are consistent with local and statewide trends. In the event of data issues or data outliers, Cal ICH connects with the CoC in question to resolve errors. Cal ICH *cannot* make corrections to the underlying data and relies on the CoC to correct any errors through their local Homeless Management Information System (HMIS). To support CoCs in this effort, the fifth round of Homelessness Housing and Assistance Program (HHAP) added HMIS as an eligible use under System Improvements, thereby providing additional state resources to support CoCs in improving data accuracy and quality.

Cal ICH performs data quality checks at multiple stages in the process of loading the data. The errors in the underlying data that CSA highlighted are not due to the state's data loading process or analytics. Despite this multi-layer verification system, Cal ICH agrees with CSA that improving data quality from external parties is a priority. To that end, Cal ICH is in the process of implementing multiple processes to increase data quality. These include expanding data quality checks performed by state staff, including developing more automated data error reporting. Cal ICH is also developing tools and technical assistance to support CoCs with improving data quality.

2. AB 977 and HDIS Provide a Consistent Method of Tracking and Analyzing Data Across State Programs

Cal ICH has established a consistent method for gathering information on homelessness program's outcomes for the programs required to report data as part of AB 977 (Chapter 397, Statutes of 2021), which became operative on January 1, 2023. Using HDIS for tracking outcomes allows for consistent comparisons across state programs and tracking longer term outcomes for program participants.

Reporting applies to the following state entities and programs:

- Cal ICH: HHAP, ERF, Family Homeless Challenge Grants
- HCD: Homekey, Housing for a Healthy California, No Place Like Home, Multifamily Housing Program, Veterans Housing and Homelessness Program
- CDSS: Bringing Families Home Program, CalWORKs Housing Support Program, Housing and Disability Income Advocacy Program
- CCCCO: Homeless and Housing Insecure Pilot Project
- CalVet: Veterans Support to Self-Reliance Program
- DHCS: Behavioral Health Bridge Housing Program
- New State funded homelessness programs that commence on or after July 1, 2021.

The draft report states that Cal ICH has not yet used the data received from these state programs to evaluate the programs' success in reducing homelessness. As part of a previously determined project timeline, informed by the operative date of the statute, Cal ICH had not begun receiving data project codes for these projects until after the State and Local Homelessness audit commenced. During interviews with CSA staff, Cal ICH shared its plan to use data to evaluate program outcomes and appreciates that CSA is supportive of this approach. Cal ICH will be providing administering departments with dashboards of outcomes data for their programs beginning in Spring 2024 and will continue to explore opportunities to report publicly on outcomes for these programs beginning in 2025.

Cal ICH appreciates the CSA's efforts to support and further our collective interest in providing oversight and accountability over homelessness funding. My staff and I thank the audit team for its professionalism, and we look forward to providing future updates on our efforts to implement the report's recommendations. If you have any further questions regarding this response, please feel free to contact BCSH Assistant Deputy General Counsel, Laurance Lee.

Sincerely,

Meghan Marshall

Meghan Marshall
Executive Officer
Cal ICH

CC:

Tomiquia Moss, Secretary
Melinda Grant, Undersecretary
Tad Egawa, General Counsel
Dhakshike Wickrema, Deputy Secretary of Homelessness
Business, Consumer Services, and Housing Agency
500 Capitol Mall
Suite 1850
Sacramento, CA 95814

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Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE CALIFORNIA INTERAGENCY COUNCIL ON HOMELESSNESS

To provide clarity, we are commenting on the response to our audit report from the California Interagency Council on Homelessness (Cal ICH). The number below corresponds with the number we have placed in the margin of Cal ICH's response.

① As is our standard practice, we communicated with Cal ICH while it was reviewing our draft report to discuss any concerns it may have about the report. After these conversations, we informed Cal ICH that we would make changes to the recommendation that Cal ICH develop and publish a scorecard of the cost and outcomes of the State's homelessness programs. The recommendation is on page 23.

COMMITMENT
INTEGRITY
LEADERSHIP

April 9, 2024
Report 2023-102.2

FACT SHEET

Grant Parks *California State Auditor*

CONTACT: *Communications Office* | *(916) 445-0255*

Homelessness in California

San José and San Diego Must Do More to Plan and Evaluate Their Efforts to Reduce Homelessness

Background

The Joint Legislative Audit Committee requested that our office conduct an audit of the State's homelessness funding, including an evaluation of efforts undertaken by the State and two cities to monitor the cost effectiveness of such spending. In this report (2023-102.2), we present our findings and conclusions concerning the cities of San José (San José) and San Diego (San Diego). We published a separate report (2023-102.1) that details our findings on the State's activities to address homelessness.

Since 2015 San José and San Diego have both seen increases in the number of individuals experiencing homelessness. In response, the cities have spent hundreds of millions of dollars in federal, state, and local funding to prevent and end homelessness. These amounts include significant funding from state programs such as the Homeless Housing, Assistance and Prevention Program.

Key Findings

- San José and San Diego do not completely report on all of their homelessness funding.
  - » The two cities spent hundreds of millions of dollars on programs to prevent and end homelessness in recent years. Nonetheless, neither city could definitively identify all its revenues and expenditures related to its homelessness efforts because the cities have not established a mechanism, such as a spending plan, to track and report such information.
- Neither city has consistently evaluated the effectiveness of its homelessness programs.
  - » Both San José and San Diego spend tens of millions of dollars annually on agreements with external service providers, such as nonprofits, to provide homelessness programs and services. However, neither San José nor San Diego has adequately evaluated the effectiveness of its agreements.
- To better address homelessness, San José and San Diego will need to develop additional interim and permanent housing.
  - » Although the two cities have made efforts to develop additional interim and permanent housing, neither has a clear, long-term plan to ensure that they have the housing necessary to support individuals who require it. Having adequate permanent housing is particularly critical given that data show that placing individuals who are experiencing homelessness into permanent housing results in significantly better outcomes than placements into interim housing.

Our Key Recommendations

- To promote transparency, accountability, and effective decision-making, both cities should publicly report in a single location, such as a spending plan, all of the federal and state funding they receive as well as the local funding they allocate for reducing homelessness. They should also regularly monitor the amount of their unspent funding to ensure that they comply with any future spending deadlines and can adequately explain to the public the anticipated timing of their future spending.
- Both cities should ensure that they establish clearly defined performance measures in agreements with service providers and annually document overall assessments of the effectiveness of each service provider.
- San José should develop goals for contributing to the building of permanent housing for people experiencing homelessness that align with its implementation plan for meeting the goals of its Continuum of Care's action plan. San Diego should develop plans for siting and building the permanent housing it has identified that it needs for people experiencing homelessness.

AUDITOR of the STATE of CALIFORNIA
est. 1956

Homelessness in California

San José and San Diego Must Do More to Plan and Evaluate Their Efforts to Reduce Homelessness

April 2024

REPORT 2023-102.2

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Grant Parks *State Auditor*
Mike Tilden *Chief Deputy*

est. 1956

April 9, 2024
2023-102.2

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

The Joint Legislative Audit Committee requested an audit of the State's homelessness funding, including an evaluation of the efforts undertaken by the State and two cities to monitor the cost-effectiveness of such spending. We published a separate report (2023-102.1) that details our findings related to the State's activities. This report (2023-102.2) focuses primarily on the activities of the two cities we reviewed, San José and San Diego, and it concludes that the cities must do more to better evaluate their efforts to reduce homelessness.

San José and San Diego identified hundreds of millions of dollars in spending of federal, state, and local funding in recent years to respond to the homelessness crisis. However, neither city could definitively identify all its revenues and expenditures related to its homelessness efforts because neither has an established mechanism, such as a spending plan, to track and report its spending. The absence of such a mechanism limits the transparency and accountability of the cities' uses of funding to address homelessness.

Although both cities provide tens of millions of dollars for homelessness programs and services through agreements with external service providers, such as nonprofits, neither city evaluated the effectiveness of its agreements. San Diego has generally established clear performance measures, such as specifying the number of people the service provider will assist, to enable it to assess whether the providers' efforts are an effective use of funds. However, San José has not consistently done so. Furthermore, neither city has evaluated the effectiveness of the programs it provides to address the profound health and safety risks associated with unsheltered homelessness.

Both cities use interim housing as a way to provide shelter for people experiencing homelessness, but they both need to develop additional permanent housing. Data consistently show that placements into permanent housing results in significantly better outcomes than placements into interim housing. The cities have each made efforts to develop additional interim and permanent housing; however, neither has a clear, long-term plan to ensure that they have the housing necessary.

We recommend that San José and San Diego each publicly report on all of their homelessness funding, assess the effectiveness of their spending, and better plan to meet their permanent housing needs.

Respectfully submitted,

Grant Parks

GRANT PARKS
California State Auditor

621 Capitol Mall, Suite 1200 | Sacramento, CA 95814 | 916.445.0255 | 916.327.0019 fax | **www.auditor.ca.gov**

Selected Abbreviations Used in This Report

Cal ICH	California Interagency Council on Homelessness
CoC	Continuum of Care
ERF	Encampment Resolution Funding
ESG	Emergency Solutions Grant
state data system	Homeless Data Integration System
HHAP	Homeless Housing, Assistance and Prevention
HMIS	Homeless Management Information System
HSSD	Homelessness Strategies and Solutions Department
HUD	U.S. Department of Housing and Urban Development
NPD	Neighborhood Policing Division
PIT count	point-in-time count
VASH	Veterans Affairs Supportive Housing

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Summary

The Joint Legislative Audit Committee requested an audit of the State's homelessness funding, including an evaluation of the efforts undertaken by the State and two cities to monitor the cost effectiveness of such spending. Separately, we published a report (2023-102.1) that focuses primarily on the State's activities to address homelessness. In this report (2023-102.2), we present our findings and conclusions regarding the two cities we reviewed: the city of San José (San José) and the city of San Diego (San Diego).

Since 2015 both San José and San Diego have seen increases in the number of individuals experiencing homelessness. In response, the cities have dedicated hundreds of millions of dollars in federal, state, and local funding to preventing and ending homelessness. In this audit, we reviewed the cities' spending and their efforts to evaluate the effectiveness of the programs they funded, and we drew the following conclusions:

San José and San Diego Have Adopted Plans for Addressing Homelessness but Do Not Completely Report on All of Their Homelessness Funding

Page 13

Both San José and San Diego identified hundreds of millions of dollars in spending on programs to prevent and end homelessness in recent years. Nonetheless, neither city could definitively identify all its revenues and expenditures related to its homelessness efforts because the cities have not established a mechanism, such as a spending plan, to track and report their spending. Such a mechanism would increase transparency and accountability regarding the cities' use of homelessness funds. Further, it might enable the cities to better align their spending with the action plans they follow. While San Diego has a city-specific action plan that details its goals and the services it intends to provide, San José has historically followed a broader regional action plan and has only recently identified the specific steps it will take to implement that regional plan.

Neither San José nor San Diego Has Consistently Evaluated the Effectiveness of Its Homelessness Programs

Page 25

Both San José and San Diego spend tens of millions of dollars on agreements with external service providers, such as nonprofits, to provide homelessness programs and services. Although San Diego has generally established clear performance measures to assess whether these efforts are an effective use of funds, San José has not consistently done so. In addition, neither San José nor San Diego has evaluated the effectiveness of these agreements or of other city-provided programs that address the profound health and safety risks associated specifically with unsheltered homelessness.

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To Better Address Homelessness, San José and San Diego Will Need to Develop Additional Interim and Permanent Housing

Data consistently show that placing individuals who are experiencing homelessness into permanent housing results in significantly better outcomes than placements into interim housing. Nonetheless, interim housing plays a critical role in providing shelter to people who need it. In recent years, both San José and San Diego have taken steps to develop additional interim housing sites. However, neither city currently has the shelter capacity it requires to house its residents who are experiencing unsheltered homelessness. Moreover, although the two cities have made efforts to develop additional permanent housing, neither has a clear, long-term plan to ensure that it has the housing necessary to support individuals who require it.

Agency Comments

The city of San José provided additional context it asserted was lacking in the report, but the city generally agreed with our recommendations and has indicated the steps it plans to take to implement them.

The city of San Diego generally agreed with the recommendations and indicated that it will take appropriate steps to implement them where feasible.

Although we did not make recommendations to the San Diego Housing Commission, it disagreed with some of our findings and conclusions.

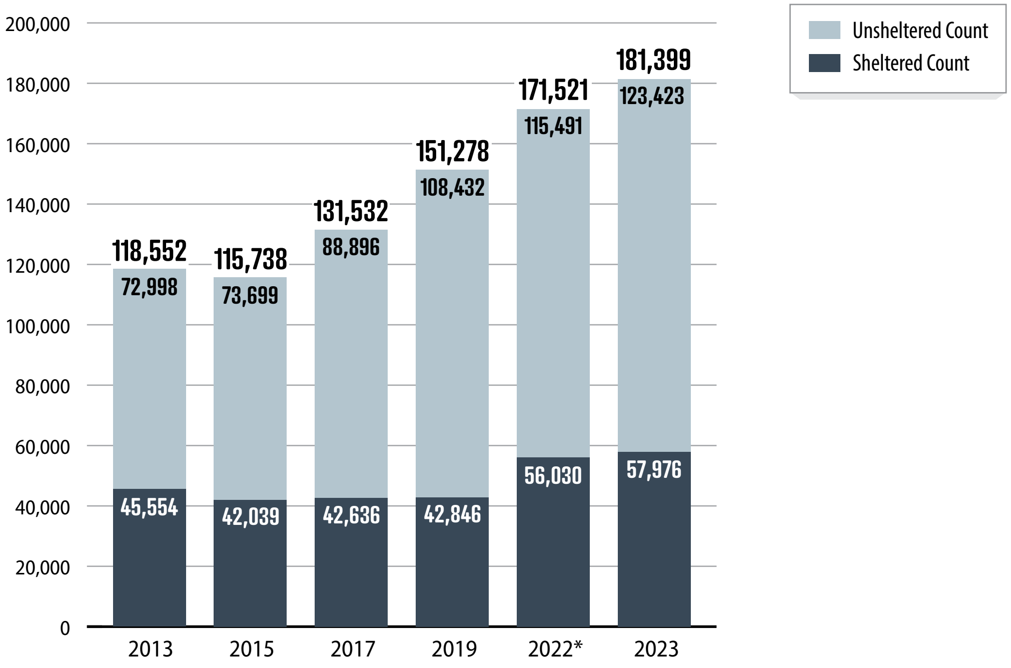
Introduction

Background

The number of people experiencing homelessness in the State has increased significantly during the last 10 years. According to federal regulations, any individual or family who lacks a fixed, regular, and adequate nighttime residence is *experiencing homelessness*. When people primarily spend their nights in public or private locations not normally used for sleeping, it is considered *unsheltered homelessness*. When people stay in emergency shelters, transitional housing programs, or safe havens, it is considered *sheltered homelessness*. People experiencing homelessness face devastating challenges to their health and well-being. For example, a study found that two-thirds of participants reported current mental health symptoms and that homelessness worsened participants' mental health symptoms.

To identify the number of people experiencing homelessness, the U.S. Department of Housing and Urban Development (HUD) requires annual point-in-time (PIT) counts of those experiencing sheltered homelessness and biennial counts of those experiencing unsheltered homelessness. Figure 1 shows that although the number of people experiencing homelessness in California decreased slightly from 2013 through 2015 to fewer than 116,000 individuals, it has increased to more than 181,000 individuals as of 2023.

Figure 1
California's Population of People Experiencing Homelessness Has Increased Since 2013



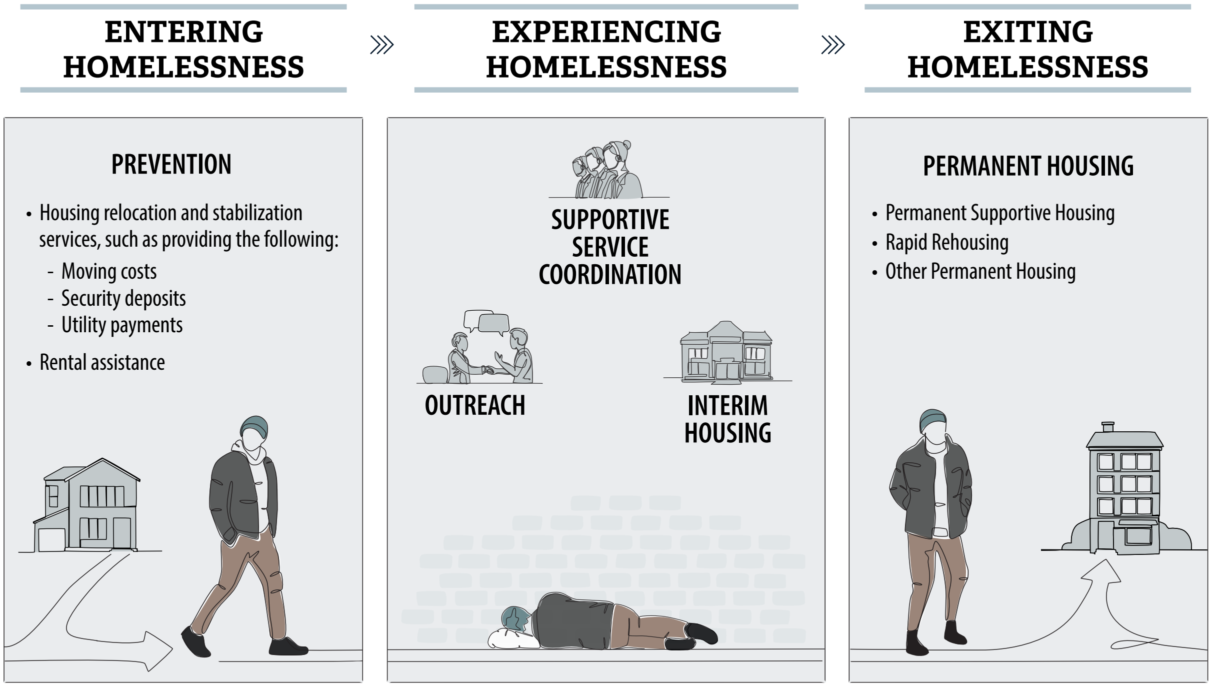
Source: The U.S. Department of Housing and Urban Development (HUD) point-in-time (PIT) counts, Annual Homeless Assessment Report, and HUD memorandum.

Note: HUD requires Continuums of Care (CoCs) to conduct a PIT count of people experiencing sheltered homelessness annually and a count of people experiencing unsheltered homelessness at least biennially. To present the total number of people experiencing homelessness, we therefore used the year in which both categories of PIT counts were conducted.

* HUD waived the PIT count requirement for unsheltered homelessness in 2021 because of the COVID-19 pandemic, but it required the count again in 2022.

Figure 2 shows the three main phases of homelessness: *entering homelessness*, *experiencing homelessness*, and *exiting homelessness*. The University of California, San Francisco's June 2023 study of people experiencing homelessness describes economic, social, and health factors that can lead to homelessness. The study found that high housing costs and low incomes had left participants vulnerable to homelessness and that the most frequently reported economic reason for entering homelessness was loss of income. Resolutions to this situation include preventing people from entering homelessness and helping people exit homelessness to live in permanent housing. Factors such as scarcity of housing, high cost of housing, lack of rental subsidies, and lack of assistance in identifying housing create barriers to accessing housing.

Figure 2
The Three Phases of Homelessness Each Have Mitigating Solutions



ENTERING HOMELESSNESS ⋙ **EXPERIENCING HOMELESSNESS** ⋙ **EXITING HOMELESSNESS**

PREVENTION

- Housing relocation and stabilization services, such as providing the following:
  - Moving costs
  - Security deposits
  - Utility payments
- Rental assistance

SUPPORTIVE SERVICE COORDINATION

OUTREACH

INTERIM HOUSING

PERMANENT HOUSING

- Permanent Supportive Housing
- Rapid Rehousing
- Other Permanent Housing

High housing costs and low incomes leave people vulnerable to homelessness. Individuals or families with annual incomes below 30 percent of median family income and who meet certain other criteria are categorized as *at risk of homelessness*.

People who lack a fixed, regular, and adequate nighttime residence are considered to be *experiencing homelessness*. This experience can be devastating to their health and well-being.

People are *exiting homelessness* when they find permanent housing. They often face barriers, such as housing scarcity and high costs.

Source: Federal regulations, Federal Strategic Plan, Business, Consumer Services, and Housing Agency documentation, and *Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness,* a study published by the University of California San Francisco Benioff Homelessness and Housing Initiative in June 2023.

Numerous Entities Have Roles in Funding Homelessness Services in California

Numerous entities are involved in funding homelessness prevention, homelessness support services, and the provision of permanent housing in California. Federal, state, and local governments all issue funding that flows through other entities before reaching people at risk of or experiencing homelessness. Most notably, the State recently increased its financial role in addressing housing affordability and homelessness. According to the Legislative Analyst's Office, the State allocated nearly $24 billion to addressing homelessness and housing affordability during the last five fiscal years, from fiscal years 2018–19 through 2022–23.

As Figure 3 shows, Continuums of Care (CoCs) are central to California's provision of homelessness services. In 1993 HUD established the CoC system. Formed according to federal regulations to achieve the goal of ending homelessness within a geographic area, each CoC is a group of individuals and entities that may include homelessness service providers, cities, and counties. Congress codified the CoC system into law to provide federal funding for states, local governments, and nonprofit service providers to quickly rehouse people experiencing homelessness.

California has 44 CoCs that cover its 58 counties. Each CoC enables collaboration among member entities in its area but does not direct the actions of those member entities. The State and HUD provide funding through a variety of programs to CoCs and the entities within CoCs, such as counties, cities, and nonprofits. Those entities are responsible for following the eligible uses and reporting requirements of the funding they receive.

Data show that nearly 316,000 individuals experiencing homelessness accessed housing and services in California's 44 CoCs in 2022.[1] The COVID-19 pandemic, which occurred during the period we reviewed, profoundly affected individuals at risk of or experiencing homelessness and resulted in both the federal and state governments dedicating substantial funding to addressing the crisis.

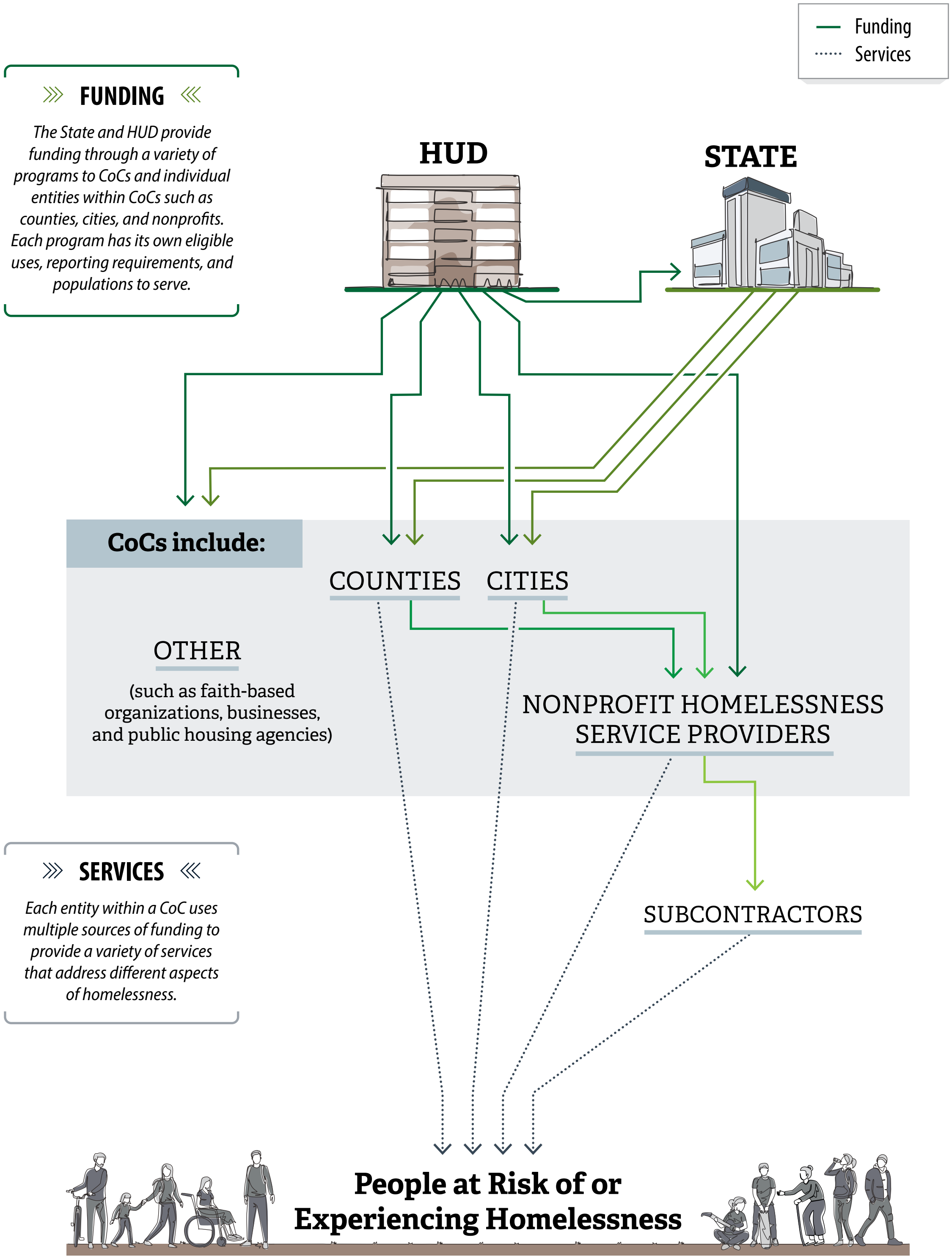
San José and San Diego Provide Homelessness Services Through Multiple Departments

We reviewed two cities as part of our audit. The Joint Legislative Audit Committee specifically requested that we review the city of San José (San José). For the second city, we selected the city of San Diego (San Diego) based on its population, its geographic location, the number of people in it experiencing homelessness, and its available funding to reduce homelessness, among other factors. Both San José and San Diego operate as member entities of their respective CoCs, which also have responsibilities for the people experiencing homelessness in each city. The cities should spend the funding they receive as effectively as possible to meet the needs of their residents.

---

[1] Because the PIT count of people experiencing homelessness takes place on a single night in a given year, the number derived from that count may be less than the total number of people who experience homelessness at some point during that year.

Figure 3
There Are Many Layers to Homelessness Funding and Services



FUNDING

The State and HUD provide funding through a variety of programs to CoCs and individual entities within CoCs such as counties, cities, and nonprofits. Each program has its own eligible uses, reporting requirements, and populations to serve.

SERVICES

Each entity within a CoC uses multiple sources of funding to provide a variety of services that address different aspects of homelessness.

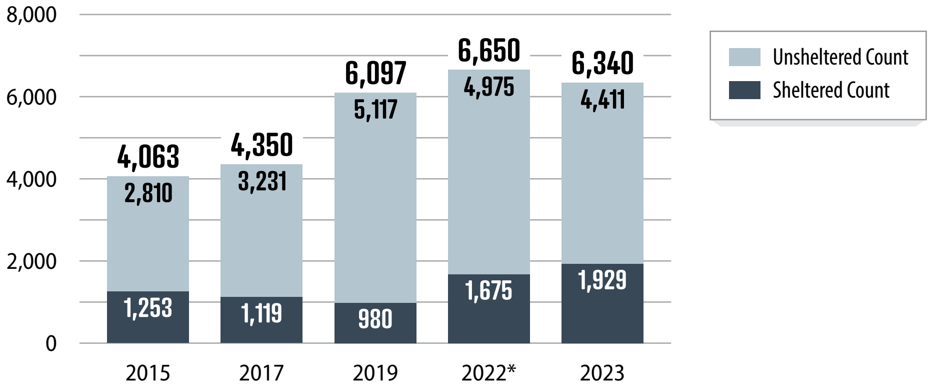
— Funding
······ Services
HUD
STATE
CoCs include:
COUNTIES
CITIES
OTHER
(such as faith-based organizations, businesses, and public housing agencies)
NONPROFIT HOMELESSNESS SERVICE PROVIDERS
SUBCONTRACTORS
People at Risk of or Experiencing Homelessness

Source: State law; grant agreements; documentation from the California Interagency Council on Homelessness (Cal ICH), HUD, California Department of Social Services, California Department of Housing and Community Development, cities and counties; and a service provider's website.

San José

Located in the San Francisco Bay Area in Santa Clara County, San José had nearly 1 million residents as of July 2022. It operates as a *council-manager* form of government. Its city council consists of one representative from each of the 10 council districts and a mayor. The council determines all matters of policy for the city. The city manager serves as the city's chief administrative officer and directs and supervises the administration of all city departments, offices, and agencies. The number of people experiencing both sheltered and unsheltered homelessness in San José increased from 2015 through 2022, as Figure 4 shows. However, San José saw a slight drop in the number of people experiencing homelessness from 2022 to 2023.

Figure 4
The Number of People Experiencing Homelessness in San José Has Increased Since 2015



Source: City homelessness PIT count data.

Note: HUD requires CoCs to conduct PIT counts of people experiencing sheltered homelessness annually and of people experiencing unsheltered homelessness at least biennially. To present the total number of people experiencing homelessness, we used the year in which both categories of PIT counts were conducted.

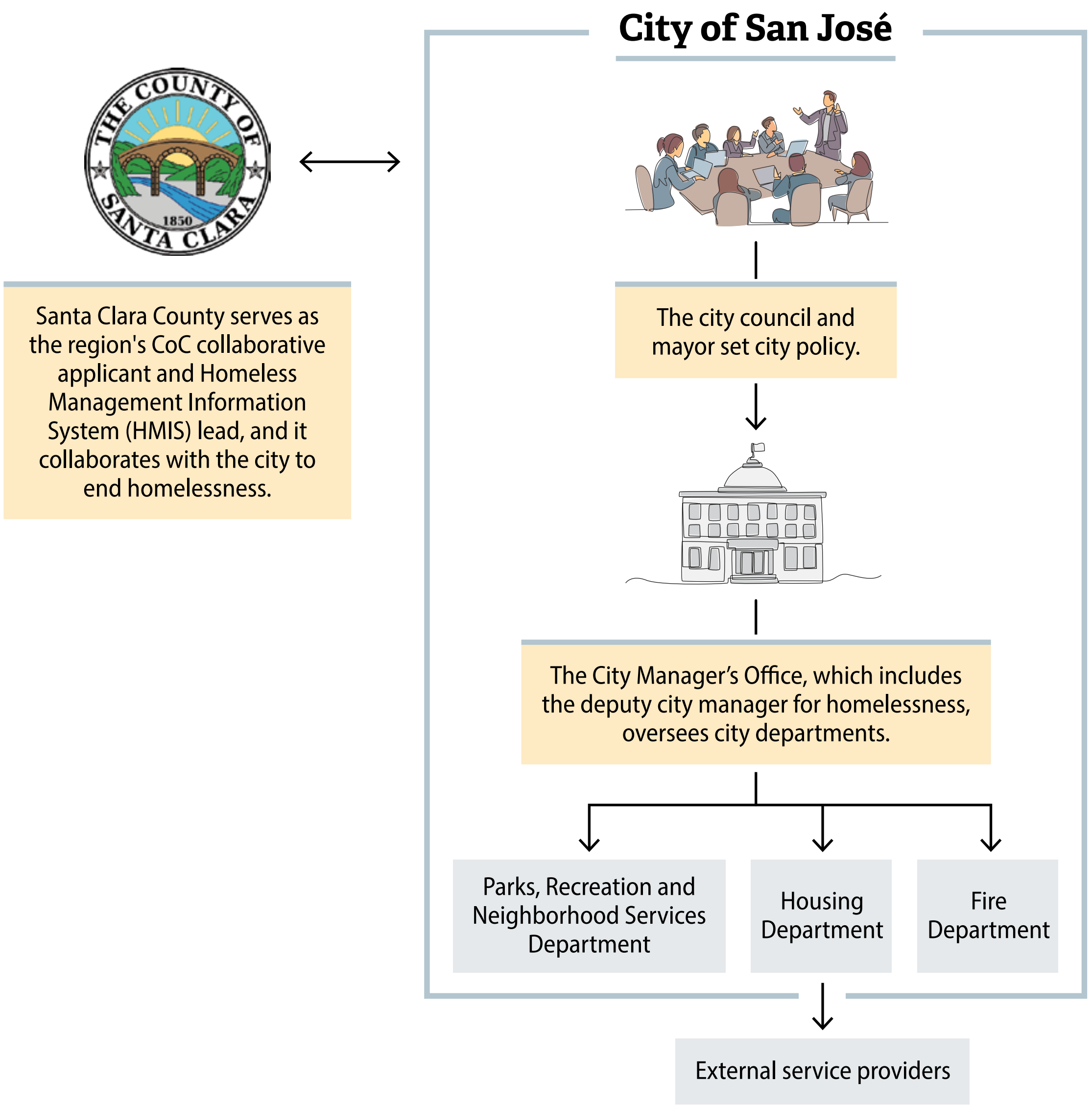
* HUD waived the PIT count requirement for unsheltered homelessness in 2021 because of the COVID-19 pandemic, but it required the count again in 2022.

As we show in Figure 5, multiple city departments have roles in San José's efforts to address homelessness. These departments operate under the direction of the city council, the city manager, and a deputy city manager, whom the city manager appointed in 2022 to focus on addressing homelessness. Some departments' work involves city staff directly providing homelessness services. For example, the fire department responds to incidents at encampments, and the Parks, Recreation and Neighborhood Services' BeautifySJ program collects trash from encampment areas and performs abatements when necessary.[2] However, the city also supplies grant funding to external service providers, such as nonprofits, that provide rental assistance, housing searches, and other services. Finally, the city funds the development of interim and permanent housing.

---

[2] In San José, *encampment abatement* is the removal of encampments and the people inhabiting them that are in certain setback areas, such as those that are within 150 feet of schools; block streets, sidewalks, or trails; or present serious health or safety conditions according to a risk assessment.

Figure 5
Several Entities Are Involved in Efforts to Address Homelessness in San José


City of San José
THE COUNTY OF SANTA CLARA
1850
Santa Clara County serves as the region's CoC collaborative applicant and Homeless Management Information System (HMIS) lead, and it collaborates with the city to end homelessness.
The city council and mayor set city policy.
The City Manager's Office, which includes the deputy city manager for homelessness, oversees city departments.
Parks, Recreation and Neighborhood Services Department
Housing Department
Fire Department
External service providers

Source: San José's organizational chart in its adopted budget, website, City Charter, Municipal Code, City Council memo, and an interview with city staff.

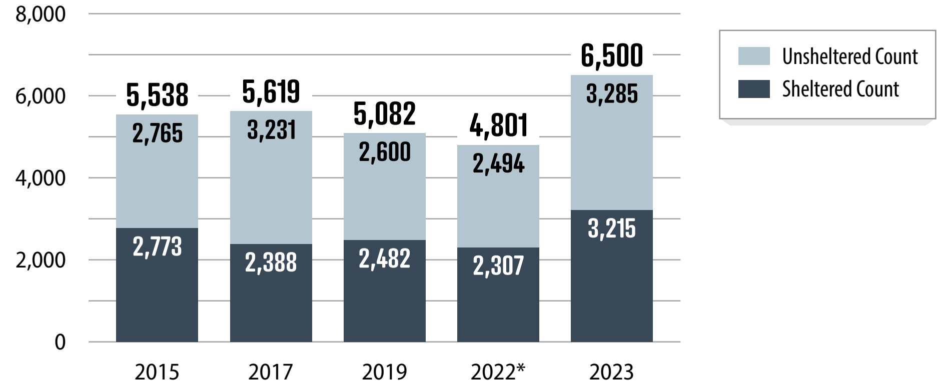
In addition to the state and federal funding San José receives for homelessness services and affordable housing, the city also uses local tax revenue for these purposes. In 2020 voters in San José approved Measure E—a real property transfer tax imposed on properties priced at $2 million or more—to fund any city purpose. Although the city council's spending priorities for Measure E have changed over the years, its 2023 adopted priorities required that it use 10 percent of the funding on homelessness prevention, gender-based violence programs, legal services, and rental assistance. The spending priorities required that it use another 15 percent primarily on homelessness support programs, including shelter construction and operations.

When implementing its efforts to address homelessness, San José works closely with Santa Clara County. The county serves as the CoC's Homeless Management Information System (HMIS) lead agency.[3] The county's responsibilities also include creating and operating a coordinated assessment system that helps identify the best housing intervention for each person and monitoring the performance of jurisdictions within the CoC. With nearly 1 million residents, San José has over half of the population in Santa Clara County and its CoC's area; thus, the city's efforts are crucial to its CoC's ability to reduce and end homelessness.

San Diego

Located on the southern California coast, San Diego had nearly 1.4 million residents as of July 2022. It operates as a *strong mayor* form of municipal government. Under this form of government, the mayor is the chief executive of the city and has significant authority over the city's operations. The city has seen a recent increase in the number of its residents experiencing homelessness, as Figure 6 shows.

Figure 6
The Number of People Experiencing Homelessness in San Diego Has Increased Since 2015



Source: CoC PIT count data.

Note: HUD requires CoCs to conduct PIT counts of people experiencing sheltered homelessness annually and of people experiencing unsheltered homelessness at least biennially. To present the total number of people experiencing homelessness, we used the year in which both categories of PIT counts were conducted.

* HUD waived the PIT count requirement for unsheltered homelessness in 2021 because of the COVID-19 pandemic, but it required the count again in 2022.

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[3] HMIS lead agency means the entity designated by the CoC to operate the Continuum's HMIS on its behalf.

As Figure 7 describes, San Diego's efforts to address homelessness involve multiple entities. The San Diego Housing Commission (housing commission) is the primary entity responsible for administering most of San Diego's homelessness programs. The city created the housing commission and, with some exceptions, granted it all rights, powers, and duties of a housing authority.[4] The Housing Authority of the City of San Diego (housing authority)—composed of the nine members of San Diego's city council—governs the housing commission. In addition, the city officially established in its municipal code its Homelessness Strategies and Solutions Department (HSSD) effective February 2022. HSSD is responsible for planning, developing, and overseeing a comprehensive network of citywide programs that provide immediate assistance and long-term solutions to meet the needs of those experiencing homelessness. This includes handling the city's homelessness program funding and overall management of the city's homelessness efforts. HSSD also administers some of the city's homelessness programs; however, the housing commission administers most programs through a memorandum of understanding with the city.

The city is a member of the San Diego City and County CoC. The lead agency for this CoC is the Regional Task Force on Homelessness (Regional Task Force), a nonprofit organization. The Regional Task Force performs a variety of functions related to San Diego's homelessness efforts, such as conducting PIT counts of the individuals experiencing homelessness in the city.

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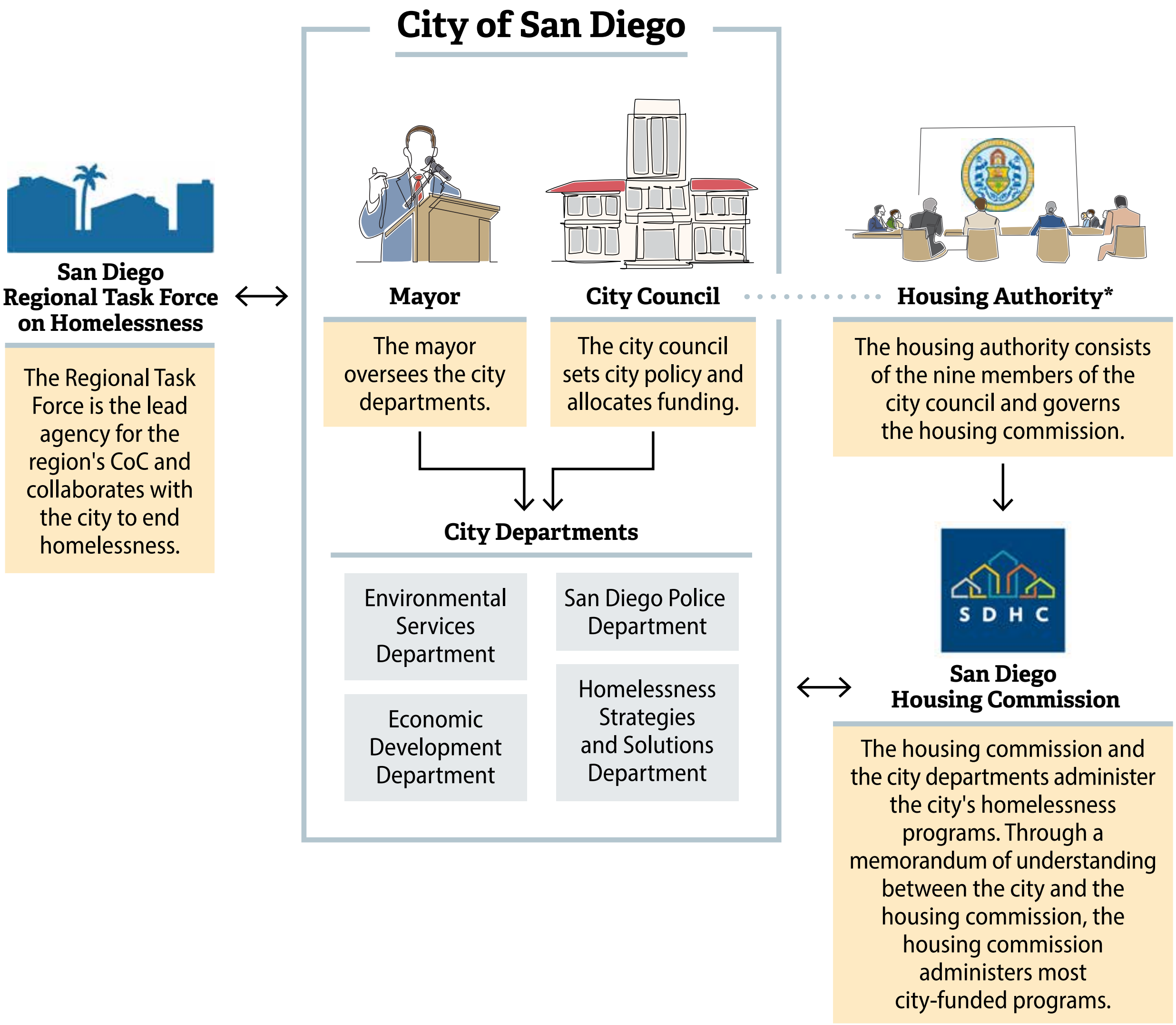
[4] State law provides housing authorities with powers and duties that include providing for the construction or repair of housing projects, acquiring or developing low-income housing, and financing low-income housing.

Figure 7
Several Entities Are Involved in Efforts to Address Homelessness in San Diego


City of San Diego
San Diego Regional Task Force on Homelessness
Mayor
City Council
Housing Authority*
City Departments
Environmental Services Department
San Diego Police Department
Economic Development Department
Homelessness Strategies and Solutions Department
SDHC
San Diego Housing Commission

The Regional Task Force is the lead agency for the region's CoC and collaborates with the city to end homelessness.

The mayor oversees the city departments.

The city council sets city policy and allocates funding.

The housing authority consists of the nine members of the city council and governs the housing commission.

The housing commission and the city departments administer the city's homelessness programs. Through a memorandum of understanding between the city and the housing commission, the housing commission administers most city-funded programs.

Source: State law, San Diego's municipal code, charter, resolutions, memorandums of understanding, organizational chart, and Independent Budget Analyst; the housing commission; and the Regional Task Force.

* The housing authority is a separate legal entity from the city. The housing commission is a public agency of the housing authority.

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San José and San Diego Have Adopted Plans for Addressing Homelessness but Do Not Completely Report on All of Their Homelessness Funding

Key Points

- Neither San José nor San Diego tracks and reports in one location, such as a spending plan, all of its funding and spending related to homelessness. The cities' fragmented reporting limits public transparency and accountability for hundreds of millions of dollars in state, federal, and local funding. It also impedes the cities' ability to assess the effectiveness of their spending.

- San José did not develop a plan with city-specific goals for reducing homelessness until January 2024. As a result, it has struggled to evaluate the effectiveness of its actions.

- San Diego established a city-specific plan for reducing homelessness in 2019. This plan identifies clear strategies and goals that have enabled San Diego to prioritize the needs of its residents who are experiencing homelessness. The city recently updated its goals to reflect changing conditions.

Neither San José nor San Diego Centrally Tracks and Reports Its Spending on Homelessness Efforts

Both San José and San Diego identified hundreds of millions of dollars in spending of federal, state, and local funding to respond to the homelessness crisis over the last three years. However, neither city has established a method—such as a spending plan—for collecting and tracking in a central location information about the homelessness funding it receives and spends. As a result, the cities lack the information necessary to easily assess the effectiveness of their spending. Further, by not providing comprehensive funding and spending information to the public and policymakers, the cities have limited transparency and accountability.

In our attempt to create a complete list of their homelessness funding and spending, we worked extensively with the two cities to develop methods to identify from their accounting records the amounts they had received and spent on homelessness efforts from fiscal year 2020–21 through 2022–23. In the absence of an independent source to verify the amounts of homelessness funding the cities received and spent, we relied upon each city to ensure that they accurately identified the information they provided to us. Therefore, we could not validate the accuracy and completeness of these amounts. During the three-year period of our review, the cities were each awarded federal and state grant funding for which they had to apply, as well as federal stimulus funding. Each funding source typically has a deadline by which the cities must spend the funding. Each source also has established eligible uses for the funding, which Appendix A lists. In addition to the federal and state funding they received, both cities allocated local funds for homelessness purposes. For example, San José allocated some Measure E funding for homelessness, as we discuss in the Introduction.

Table 1 (spanning pages 14 through 17) shows the aggregate amounts of federal, state, and local funding that San José identified that it had received or allocated for its homelessness efforts in the past three fiscal years. As the table shows, at the end of fiscal year 2022–23, San José had more than $13 million remaining of the federal funding and more than $53 million of the state funding it had received. About $46 million of that remaining funding related to two statewide programs: Homekey and the Homeless Housing, Assistance and Prevention Program (HHAP). The State awarded Homekey funding to San José for specific projects that involve remodeling hotels and motels to create housing. In contrast, San José can use HHAP funding for a number of purposes, which we list in Appendix A. The spending deadlines for both programs are still years away. In fact, the State allocated San José more than $55 million in additional HHAP funding for Rounds 4 and 5 that it had not yet received during our audit period.

At the end of fiscal year 2022–23, San José also had more than $86 million remaining of the local funds that it had budgeted that year for homelessness purposes. This amount includes its Measure E funding. Some local appropriations are multi-year appropriations and therefore have remaining balances. Table 1 identifies the purposes for which the city budgeted that funding. Over the last three fiscal years, the city spent more than $20 million in Measure E funding for purposes related to homelessness. It spent 69 percent of this amount—or about $14 million—in fiscal year 2022–23.

Table 1
As of June 2023, San José Had Millions of Dollars in Funding to Reduce Homelessness Remaining
Fiscal Years 2020–21 Through 2022–23

DESCRIPTION	AWARD AMOUNT[*]	RECEIVED[†]	SPENT (3 YR TOTAL)	HOMELESSNESS-RELATED REMAINING BALANCE AS OF 6/30/23	SPEND DEADLINE (AS APPLICABLE)
FEDERAL					
Community Development Block Grant Fund (CDBG)	‡	‡	**$2,685,949**	—	
CDBG—FY21			1,986,534	—	
CDBG—FY22			337,557	—	
CDBG—FY23			361,858	—	
Community Development Block Grant—CARES Act	‡	‡	**9,007,893**	—	
CDBG-CV—FY21			6,204,799	—	
CDBG-CV—FY23			2,803,094	—	
Emergency Solutions Grant (ESG)	**$2,253,464**	**$2,253,464**	**$1,040,956**	**$1,212,508**	**24 months after HUD signed the agreement with recipient**
ESG—FY21	763,052	763,052	763,052	—	
ESG—FY22	747,341	747,341	277,904	469,437	
ESG—FY23	743,071	743,071	—	743,071	
Emergency Solutions Grant—CARES Act[§]			**19,240,322**	**221,244**	**09/30/23**
ESG-CV—FY22			10,988,375	—	
ESG-CV—FY23			8,251,947	—	
HOME Investment Partnerships American Rescue Plan Program	**11,676,334**	—	—	**11,676,334**	**09/30/30**
Subtotal—Federal funding[‖]	**$13,929,798**	**$2,253,464**	**$31,975,120**	**$13,110,086**	

DESCRIPTION	AWARD AMOUNT*	RECEIVED[†]	SPENT (3 YR TOTAL)	HOMELESSNESS-RELATED REMAINING BALANCE AS OF 6/30/23	SPEND DEADLINE (AS APPLICABLE)
STATE					
SB 89—COVID-19 Emergency Homelessness Funding	**$3,919,821**	**$3,988,451**	**$3,988,451**	**—**	
Encampment Resolution Funding Grant[#]	**2,085,216**	**2,085,216**	**1,362,522**	**$102,539**	**6/30/24**
Homeless Emergency Aid Program (HEAP)**	**11,389,987**	**11,716,180**	**11,716,180**	**—**	
Homeless Housing, Assistance, and Prevention (HHAP) Fund	**119,879,562**	**65,127,846**	**29,994,846**	**35,133,000**	
HHAP Grant	23,832,511	24,052,124	22,902,995	1,149,129	6/30/25
HHAP Grant II	11,266,278	11,457,003	6,459,985	4,997,018	6/30/26
HHAP Grant III	29,118,995	29,618,719	631,866	28,986,853	6/30/26
HHAP Grant IV	26,795,466	—	—	—	6/30/27
HHAP Grant V	28,866,312	—	—	—	6/30/28
Permanent Local Housing Allocation Program (PLHA)	**18,546,014**	**11,189,072**	**4,415,558**	**6,773,514**	**58 months from appropriation**
PLHA Program I—FY20	4,348,646	4,368,878	4,368,878	—	
PLHA Program II—FY21	6,759,142	6,820,194	46,680	6,773,514	
PLHA Program III—FY22	7,438,226	—	—	—	
HomeKey	**108,612,760**	**47,154,609**	**37,148,785**	**11,193,556**	
HomeKey Round 1[††]	11,953,474	11,953,474	12,895,252	365,722	6/30/21 for federal Coronavirus Relief funds & 6/30/23 for state general fund
HomeKey Round 2[‡‡]	96,659,286	35,201,135	24,253,533	10,827,834	8 Months for certain federal funds & 6/30/26 for state general fund
Subtotal—State funding[‖]	**$264,433,360**	**$141,261,374**	**$88,626,342**	**$53,202,609**	
LOCAL[§§ ‖ ‖]					
General Fund			**$159,236,822**	**$76,258,375**	
BeautifySJ and Encampment Waste Pick Up—BeautifySJ Consolidated Model			2,603	—	
BeautifySJ and Encampment Waste Pick Up—BeautifySJ Consolidated Model			1,735,729	—	
BeautifySJ and Encampment Waste Pick Up—BeautifySJ Consolidated Model			324,125	—	
BeautifySJ and Encampment Waste Pick Up—BeautifySJ Consolidated Model			8,735,858	—	
BeautifySJ and Encampment Waste Pick Up—San José Bridge Program			3,511,880	1,805,605	
Emergency Housing—Downtown Homeless Health Response and Support			468,236	982,507	
Emergency Housing—Emergency Housing Construction and Operation			4,760,744	8,301,022	

continued on next page . . .

DESCRIPTION	AWARD AMOUNT[*]	RECEIVED[†]	SPENT (3 YR TOTAL)	HOMELESSNESS-RELATED REMAINING BALANCE AS OF 6/30/23	SPEND DEADLINE (AS APPLICABLE)
Emergency Housing—Sheltering and Enhanced Encampment Services			2,840,915	198,085	
Emergency Interim Housing Construction and Operation			5,949,659	14,846,861	
Fire—Personal Services[##]			84,949,314	—	
Google Community Benefits—Community Stabilization			750,406	—	
Homeless Response Team			1,235,139	269	
Housing Stabilization—Eviction Help Center			1,389,220	425,427	
Housing Stabilization—Hotel Sheltering Operations and Services			16,366	3,480,634	
Housing Stabilization—South Hall Demobilization and Housing Assistance Center			1,895,605	158,114	
Measure E—Guadalupe River Park Housing Support [10% Homeless Prevention and Rental Assistance (HPRA)]			300,000	2,580,000	
Measure E—Homeless Outreach and Engagement [15% Homeless Support Programs (HSP)]			532,944	44,177	
Measure E—Homeless Student Housing (10% HPRA)			162,135	—	
Measure E—Homeless Support Programs (15% HSP)			1,003,163	1,400,000	
Measure E—Housing Properties Maintenance (15% HSP)			356,079	1,076,813	
Measure E—Project HomeKey 2.0 (40% Extremely Low Income)			849,928	35,725,474	
Measure E—Rental Assistance (10% HPRA)			14,924,548	2,144,118	
Measure E—Storm Evacuee Transition Facilities (15% HSP)			644,948	1,972,896	
Measure E—Supportive Services and Operations (15% HSP)			1,317,159	—	
Parks, Recreation and Neighborhood Services (PRNS)—Non-personal/Equipment			758,494	—	
PRNS—Non-personal/Equipment			246,137	—	
PRNS—Non-personal/Equipment			11,939	—	
PRNS—Personal Services			874,595	—	
PRNS—Personal Services			160,895	—	
PRNS—Personal Services			1,457,971	—	
Rapid Rehousing			7,069,540	1,096,921	
Safe RV Parking			548	19,452	
Testing, Tracing, and Isolation			10,000,000	—	
Low and Moderate Income Housing Asset Fund			**250,000**	**—**	
Homeless Services			250,000	—	
Emergency Reserve Fund			**1,802,595**	**3,197,405**	
2022–2023 Storm Response and Recovery			1,802,595	3,197,405	
Housing Trust Fund			**7,050,956**	**248,000**	
Disaster Assistance			4,140	248,000	
Employment Initiative Program			298,631	—	
Housing and Homeless Projects			4,305,714	—	
Housing and Homeless Projects			838,632	—	
Housing Personal Services			1,603,839	—	

DESCRIPTION	AWARD AMOUNT*	RECEIVED†	SPENT (3 YR TOTAL)	HOMELESSNESS-RELATED REMAINING BALANCE AS OF 6/30/23	SPEND DEADLINE (AS APPLICABLE)
Multi-Source Housing Fund			**128,516**	—	
Rapid Rehousing			128,516	—	
Housing Authority Litigation Award Fund			**13,029,833**	**6,707,215**	
Bridge Housing Communities			2,819,288	—	
Homeless Outreach Services			275,680	—	
Job Readiness Training Project			166,500	450,000	
Permanent Supportive Housing			(40,000)	—	
Rapid Rehousing			7,814,133	4,757,215	
Rebuilding for Heroes			100,000	—	
Survivors of Violence Housing Assistance			70,098	—	
VA Rental Subsidy Program			1,824,134	1,500,000	
Subtotal—Local funding[‖]			**$181,498,722**	**$86,410,995**	
TOTAL	**$278,363,158**	**$143,514,838**	**$302,100,184**	**$152,723,690**	

Source: San José's approved budgets, grant award letters, and city financial records.

[*] City was *awarded* some of the funds before or after our audit period.

[†] *Amount received* may be larger than *award amount* due to interest income. Additionally, some funds were *received* before or after our audit period.

[‡] **CDBG, CDBG-CV**—These grants were not solely for homelessness purposes; rather, the city identified how much it planned to spend for homelessness purposes and was reimbursed for those efforts. Therefore, we present only *spent* amounts for these funding sources.

[§] *Award* was received prior to the audit period, and *remaining balance* is as of January 30, 2024. The city did not identify the amount of expenditures for ESG-CV for fiscal year 2020–21.

[‖] Because some funding sources do not have *award* and *received* amounts we do not include them in the subtotals for those columns.

[#] The *remaining balance* also accounts for encumbered funds.

[**] **HEAP**—*Award* was received prior to the audit period and some funds were spent during that period. *Spent* reflects total expenditures on the grant (through end of grant, fiscal year 2021–22).

[††] **HomeKey Round 1**—Includes $1.085 million from Enterprise Community Parterns, Inc., a private organization, which therefore is not state funding.

[‡‡] **HomeKey Round 2**—Although the city was awarded $96.7 million in HomeKey Round 2 funding, the city council approved $51.6 million to be paid directly to LifeMoves, its co-grantee, with the stipulation that LifeMoves was to establish a separate bank account that the city would have access to monitor. As a result, the city's accounting records do not include all information.

[§§] Some local appropriations are multi-year appropriations and therefore have remaining balances.

[‖‖] Local funding is generally not awarded from a non-city source, so *award* or *received* amounts are not included for local funds.

[##] **Fire—Personal Services**—The fire department estimated its homelessness-related expenditures based on the number of homelessness-related incidents it responded to.

Table 2 similarly shows the aggregate amounts of federal, state and local funding that San Diego identified that it had received or allocated for its homelessness efforts in the past three fiscal years. At the end of fiscal year 2022–23, San Diego had more than $52 million in funding designated for homelessness efforts still available. The State also allocated San Diego additional HHAP funding—about $52 million—that it had not received during our audit period. From fiscal year 2020–21 through 2022–23, San Diego spent more than $87 million of its local funding for homelessness purposes. However, the city does not roll over unspent amounts from local funds, so the table does not include a remaining balance for these funds.

Table 2
As of June 2023, San Diego Had Millions of Dollars in Funding to Reduce Homelessness Remaining
Fiscal Years 2020–21 Through 2022–23

DESCRIPTION	AWARD AMOUNT*	RECEIVED[†]	SPENT (3 YR TOTAL)	HOMELESSNESS-RELATED REMAINING BALANCE AS OF 6/30/23	SPEND DEADLINE (AS APPLICABLE)
FEDERAL					
Community Development Block Grant Fund (CDBG)	**‡**	**‡**	**$8,165,853**	**—**	
CDBG—FY21			4,124,811	—	
CDBG—FY22			1,557,047	—	
CDBG—FY23			2,483,995	—	
Community Development Block Grant—CARES Act—FY21	**‡**	**‡**	**4,599,062**	**$609,938**	**9/22/26**
Emergency Solutions Grant (ESG)	**$3,139,753**	**$3,139,753**	**3,091,466**	**48,287**	**24 months after HUD signed the agreement with recipient**
ESG—FY21	1,043,517	1,043,517	1,043,286	231	
ESG—FY22	1,047,275	1,047,275	1,047,274	1	
ESG—FY23	1,048,961	1,048,961	1,000,906	48,055	
Emergency Solutions Grant—CARES Act	**26,394,450**	**26,394,450**	**25,908,440**	**486,010**	**9/30/23**
HOME Investment Partnerships American Rescue Plan Program	**‡**	**‡**	**—**	**2,000,000**	**9/30/30**
CARES Act	**‡**	**‡**	**29,274,809**	**—**	
Subtotal—Federal funding[§]	**$29,534,203**	**$29,534,203**	**$71,039,630**	**$3,144,235**	
STATE					
AB 179—Emergency Shelter for Victims of Domestic Violence	**$2,000,000**	**—**	**—**	**$2,000,000**	**6/30/26**
SB 89—COVID-19 Emergency Homelessness Funding	**3,699,316**	**$3,736,627**	**$3,736,627**	**—**	**Must be encumbered by 6/30/20**
Encampment Resolution Funding Grant—Round 2	**2,446,500**	**2,446,500**	**—**	**2,446,500**	**Within three years of appropriation**
Family Homelessness Challenge Grant	**441,151**	**441,151**	**—**	**441,151**	**6/30/26**
Homeless Emergency Aid Program	**14,110,398**	**14,633,673**	**14,633,673**	**—**	
Homeless Housing Assistance and Prevention (HHAP) Grant	**113,041,368**	**60,636,117**	**39,438,869**	**21,197,247**	
HHAP Grant	22,491,840	22,522,672	16,716,890	5,805,782	6/30/25
HHAP Grant II	10,632,506	10,632,506	8,090,798	2,541,708	6/30/26
HHAP Grant III	27,480,939	27,480,939	14,631,181	12,849,757	6/30/26
HHAP Grant IV	22,517,490	—	—	—	6/30/27
HHAP Grant V	29,918,593	—	—	—	6/30/28
Permanent Local Housing Allocation Program	**24,693,854**	**24,693,854**	**1,724,184**	**22,969,670**	**58 months from appropriation**
Subtotal—State funding[§]	**$160,432,587**	**$106,587,922**	**$59,533,353**	**$49,054,568**	

DESCRIPTION	AWARD AMOUNT*	RECEIVED[†]	SPENT (3 YR TOTAL)	HOMELESSNESS-RELATED REMAINING BALANCE AS OF 6/30/23	SPEND DEADLINE (AS APPLICABLE)
LOCAL[‖]					
General Fund			**$86,864,918**	—	
Clean SD—Overtime for Police Department			7,897,992	—	
Contracts & Services			59,675,602	—	
HSSD—Energy and Utilities			738,408	—	
Fringe Benefits			1,523,060	—	
Homeless Outreach Team (HOT)			10,563,890	—	
HSSD—Information Technology			174,610	—	
General Services—Maintenance Expenses—Shelters			394,269	—	
HSSD—Other Expenses			13,271	—	
Personnel Costs			3,067,505	—	
Parks & Rec—Shigellosis Remediation			1,208,373	—	
HSSD—Supplies			1,550,605	—	
Parks & Rec—Temporary Shelter-GH Relocation			57,333	—	
Low and Moderate Income Housing Asset Fund			**786,031**	—	
Subtotal—Local funding[§]			**$87,650,949**	—	
TOTAL	**$189,966,790**	**$136,122,125**	**$218,223,932**	**$52,198,803**	

Source: San Diego's approved budgets, grant awards, and financial management systems information.

[*] City was *awarded* some of the funds before or after our audit period.

[†] *Amount received* may be larger than *award amount* due to interest income. Additionally, some funds were *received* before or after our audit period.

[‡] These grants were not solely for homelessness purposes; rather, the city identified how much it planned to spend for homelessness purposes and was reimbursed for those efforts.

[§] Because some funding sources do not have award and received amounts we do not include them in the subtotals for those columns.

[‖] Local funding is generally not awarded from a non-city source, so *award* or *received* amounts are not included for local funds.

Nonetheless, neither San José nor San Diego could definitively identify all the revenues and expenditures related to its homelessness efforts. This limitation is in part because their city departments budget for and track homelessness funding in a variety of ways. For example, some departments receive a budget for homelessness services and track that spending so it is clearly distinguishable. However, other departments commingle in a single fund their budget for addressing homelessness with funding for other purposes, such as the BeautifySJ program. In these instances, the cities cannot distinguish the amounts intended for addressing homelessness. Although these types of challenges primarily involve local funding, cities can also use some state and federal funding sources for more than just homelessness-related efforts. If cities do not carefully track their usage of these funds for homelessness-specific expenditures, it may impede their ability to identify all of their homelessness-related spending.

To inform decision-makers and provide transparency, the cities should track and report in a single location all funding they receive and use to reduce homelessness. Tracking this funding will require the cities to create and document a methodology for identifying from their financial systems the amounts of homelessness funding they have received, budgeted, and spent. As part of this process, the cities should develop a spending plan for their homelessness funding that identifies the available funding and how they intend to allocate that funding. For example, the cities could identify the amounts of funding they have available from federal, state, and local sources each year and indicate the amounts of that funding they plan to allocate to specific homelessness-related activities, such as developing permanent supportive housing or conducting outreach. The cities should then report on their spending at the end of each year. San Diego's independent budget analyst's office acknowledged that the city needs such a plan when it wrote, "Having a clear, publicly available spending plan enables the Council and the public to monitor program expenses, ensure that existing funds are being maximized, and provides transparency regarding the city's efforts to address homelessness."

San José Did Not Develop a City-Specific Plan for Addressing Homelessness Until January 2024

Careful planning is critical to ensuring that a city's efforts to address the complex problem of homelessness are effective. As we discuss in the previous section, the cities should develop spending plans to ensure that they maximize their funds and to provide transparency regarding their efforts to address homelessness. However, in addition to spending plans, the cities should also develop action plans with city-specific goals that identify the actions they will take to address homelessness. This type of plan enables a city to track its progress and evaluate the effectiveness of the actions it takes to achieve its goals.

The County Plan's Five Goals for 2025:

- Achieve a 30 percent reduction in annual inflow of people becoming homeless.
- House 20,000 people through the supportive housing system.
- Expand the Homelessness Prevention System and other early interventions to serve 2,500 people per year.
- Double temporary housing and shelter capacity to reduce the number of people sleeping outside.
- Address the racial inequities present among unhoused people and families and track progress toward reducing disparities.

Source: County plan 2020–2025.

San José has historically relied on the county-level community action plan (county plan) to guide its efforts to address homelessness. A committee led by the Santa Clara County CoC developed the 2020–2025 county plan. The director of San José's housing department was a member of the county plan's steering committee, and San José had two additional members involved in the county plan's workgroup to gather community input. The text box lists the county's homelessness-related goals.

Although we recognize the value of the county plan, we are concerned that the city council did not adopt a city-specific plan for implementing the county plan (implementation plan) until recently. As a consequence, San José lacked the city-specific information necessary to assess and, if necessary, adjust its actions to ensure their effectiveness in meeting the specific needs of the city's residents who were experiencing homelessness. For example, in 2021 and 2022, San José's housing department submitted memos to the city council regarding the city's spending priorities for its homelessness programs. However, those memos do not include forward-looking, measurable goals for the programs. Consequently, the city may not know if its spending and actions met its needs.

In addition, in the absence of a city-specific implementation plan, the city has not assessed the effectiveness of its actions in achieving the county's larger goals. Although the city included program-specific targets in some grant agreements with service providers, it did not identify or report on how these targets helped or would help it achieve the county plan's larger goals. For example, in fiscal year 2022–23, San José's housing department approved spending $8 million in Measure E funds on the city's homelessness prevention system. The city's 2022–23 amendment to the agreement with a nonprofit for that system specifies that the city's target was to assist 900 people in staying housed and prevent them from entering homelessness. However, it is unclear how this target specifically fits within the county plan's goal to achieve a 30 percent reduction in the annual inflow of people becoming homeless because the target does not specify the total number of people the city needs to prevent from entering homelessness to help achieve the 30 percent reduction. The city auditor reached a similar conclusion in a 2023 audit, reporting that the city's homelessness and housing measures lacked context that would relate them to the broader goals of the county plan.

City staff explained that San José did not develop a city-specific implementation plan for the county plan until recently because the city was focusing its efforts on responding to the COVID-19 pandemic. However, the city reported that it took many homelessness-related actions in those years. Having an implementation plan with clear goals would have helped the city to evaluate the effectiveness of its actions and measure its progress toward its goals.

In December 2023, after we began our review, the city presented an implementation plan to its housing commission. In January 2024, the city council approved that plan. The new implementation plan establishes a direct tie with the county plan, creates accountability by linking the city's actions to specific departments, and includes measureable outcomes for the city to report publicly on an annual basis. By establishing accountability and transparency, the implementation plan should better situate the city to evaluate the effectiveness of its future actions to address homelessness.

In 2019 San Diego Established a City-Specific Plan That Includes Clear, Measurable Goals

To reduce and prevent homelessness, San Diego has followed a city-specific community action plan (city action plan) since 2019. The Corporation of Supportive Housing (CSH)—a national nonprofit organization focused on homelessness and housing—authored this plan in partnership with a steering committee consisting of the city, the housing commission, and the Regional Task Force. The plan identifies the need to set targeted goals and implement a systemwide strategic approach to achieve those goals. It also includes analyses of multiple data sources, including demographic characteristics of people experiencing homelessness, current shelter capacity, permanent housing units, and available financial resources for homelessness.

The Five Strategies in San Diego's Action Plan:

- Implement a systems-level approach to homeless planning.
- Create a client-centered homeless assistance system.
- Decrease inflow into homelessness by increasing prevention and diversion.
- Improve the performance of the existing system.
- Increase the production of and access to permanent solutions.

Source: The housing commission.

The city action plan identifies five distinct strategies for addressing homelessness, which the text box presents. Each strategy identifies specific target priorities. For example, to increase the production of and access to permanent housing, the plan prioritizes planning for the development of 3,500 units of permanent supportive housing over 10 years. For each of these longer-term priorities, the city identifies related actions, including the need to establish annual development targets, create a funding pipeline, implement policy changes, and work with partners to coordinate the implementation of those changes.

The plan also includes clear goals to allow San Diego to track its progress and evaluate the effectiveness of its actions. The housing commission maintains public dashboards on the city's progress toward some of its strategic goals. The public dashboards display updates on goals within reach in the next three years, performance data related to the implementation of the strategic goals, and progress toward housing goals. For example, to measure its progress of ending veteran homelessness, San Diego used Veterans Affairs Supportive Housing (VASH) voucher utilization rates, among other metrics. San Diego's dashboard data showed that in each year since 2019, San Diego has issued more of the VASH rental assistance vouchers it received from HUD to veterans experiencing homelessness, increasing its utilization rate from 86 percent in 2019 to 93 percent in 2022. Table 3 describes San Diego's progress toward achieving selected goals since 2019.

San Diego has revisited its goals and updated them to reflect changes in recent years. In 2023 CSH used newly available data, trends, and resources to update the city action plan's housing and prevention goals, as well as its financial modeling estimates of required funding to meet those goals. For example, it increased the shelter goal from 390–580 beds to 465–920 beds. The updated plan shows that the number of individuals entering homelessness has increased since 2019, when the city adopted the plan and determined the need for more homelessness prevention actions. Because San Diego recently updated its action plan goals in fall 2023, it is too early to evaluate its progress toward meeting the new goals.

Table 3
San Diego Tracks the Progress Toward Some of Its Homelessness Strategic Goals

LONG TERM STRATEGIC GOALS		PROGRESS TOWARD GOALS
Increase the outflow by increasing the production of permanent solutions	Develop pipeline plan for 3,500 units of permanent supportive housing (PSH) over 10 years, including 2,802 units of supportive housing developed and 701 supportive housing units leased in private rental market.	As of September 2023: • Total PSH units needed to develop—2,802. • Total PSH units in service—1,237. • Total PSH units under construction—196. • Total PSH units approved with finance pending—107. • Additional PSH units needed—1,262.
Decrease the inflow by increasing successful prevention and diversion	Increase diversion to at least 770 successful interventions per year and reduce the number of people who become homeless for the first time or return to homelessness.	From 2019 through 2022: • The number of people experiencing homelessness for the first time increased from 7,234 to 8,231. • The number of people who returned to homelessness increased from 3,100 to 3,624.
Improve system perfomance	Ensure that the homelessness assistance system is functioning at peak utilization/performance. Ensure that people quickly receive housing and services.	Utilization in 2023: • Emergency shelter bed utilization—87%. • PSH utilization—75%. • Rapid Rehousing utilization—100%. • Safe Haven utilization—88%. • Transitional housing utilization—83%. • Other PSH utilization—96%. Average length of time homeless in 2022: • 1,029 days, up from 771 in 2019.

SHORT TERM GOALS	MEASURES TO EVALUATE EFFECTIVENESS	SYSTEM PERFORMANCE
Decrease unsheltered homelessness by 50%	Monthly unsheltered downtown count.	As of August 2023, there were 1,207 unsheltered people in downtown San Diego, which is an increase of 437 people compared to the same month in 2019.
	Project One for All (POFA) voucher utilization—rental housing vouchers and supportive services for adults with serious mental illness who are experiencing homelessness.	In 2022: • 778 POFA vouchers awarded. • 545 POFA vouchers used to lease units. • 86 POFA vouchers in progress or issued. • 81% POFA voucher utilization, up from 72% in 2019.
Finish the job of ending veteran homelessness	Veteran PIT count.	In 2023 there were 248 sheltered and 319 unsheltered veterans.
	Veterans Affairs Supportive Housing (VASH)—voucher program to provide rental assistance for veterans who receive case management and clinical services and who are experiencing homelessness.	In 2022: • 1,285 VASH vouchers awarded. • 1,198 VASH vouchers used to lease units. • 93% VASH voucher utilization, up from 86% in 2019.
Prevent and end youth homelessness	Youth PIT count.	In 2023 there were 672 sheltered and 182 unsheltered youth—511 less youth experiencing homelessness compared to 2022.
	Transition-Aged Youth Family Unification Program Voucher (TAYFUP)—rental housing vouchers to reunite children with their families. Transitional Aged Youth specific vouchers (TAY).	In 2022: • 50 TAYFUP vouchers awarded. • 49 TAYFUP vouchers used to lease units. • 98% TAYFUP voucher utilization. • 59 TAY vouchers awarded. • 49 TAY vouchers used to lease units. • 83% TAY voucher utilization, up from 65% in 2019.

Source: San Diego's city action plan, housing commission dashboards, and 2023 CoC PIT count data.

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Neither San José nor San Diego Has Consistently Evaluated the Effectiveness of Its Homelessness Programs

Key Points

- San José and San Diego spend millions of dollars annually on services to address homelessness that are provided through agreements with external providers, such as nonprofits. However, the cities have not consistently monitored and evaluated the performances of their providers to ensure that these agreements represent effective uses of funds.

- People experiencing unsheltered homelessness face significant health and safety risks, increasing the importance of providing them with effective services. Both San José and San Diego have established programs to mitigate the risks that these individuals face. However, neither San José nor San Diego has measured the effectiveness of all of its programs to address the risks of unsheltered homelessness.

- Several federal and state laws and regulations may impede cities' ability to accurately evaluate and track certain information about people experiencing homelessness. Both San José and San Diego believe that increased access to such data would allow them to better evaluate the services they provide and identify those programs that are most effective.

San José and San Diego Have Not Consistently Assessed the Effectiveness of Their Agreements With Service Providers

Both San José and San Diego spend tens of millions of dollars on efforts to reduce homelessness through agreements with external service providers, such as nonprofits. Consequently, the cities' management of those agreements is especially crucial for establishing accountability and ensuring the effectiveness of their homelessness spending. Nonetheless, the cities' agreements with external service providers have not always included performance benchmarks to allow the cities to assess the results of the service providers' efforts. Moreover, our review found that the two cities did not always establish well-defined measures for assessing the performance of their providers or ensure that the providers submitted complete performance reporting.

For each city, we reviewed 14 agreements for services such as rapid rehousing, encampment outreach, shelter, and homelessness prevention. Relying on the listings of homelessness-related agreements the cities provided to us, we selected agreements for review based on their amounts, funding source, and program type. Eight of the 14 agreements for each city included funding from state and federal sources. The remaining six agreements primarily involved funding from local sources, including Measure E funds for San José. We evaluated each city's agreements for defined performance measures and provider reporting requirements, and we considered each city's assessments of provider services and its documentation of those assessments.

Well-defined performance measures establish clear expectations for providers. For example, an effective performance measure might specify a number of people to be served per agreement activity. Nonetheless, as Table 4 shows, San José either did not establish or did not clearly define its expected performance measures in the 14 agreements we reviewed. For example, in a $12 million agreement for emergency rental assistance, San José established as a performance measure that 80 percent of program households that the provider surveyed would report improved housing stability after receiving assistance and services. However, the agreement neither specifies the number of households the provider should survey, nor did the provider disclose in its resulting report the number of households it surveyed. We believe that such specificity would provide the context for the survey's results and help ensure that those results are an accurate representation of the services provided. The city explained that it recognizes its agreements do not include clearly defined performance measures and that it has been working with an external consultant to improve its monitoring and compliance processes.

Table 4

San Jose Did Not Always Clearly Define Performance Measures or Ensure It Received Performance Reporting in the Service Provider Agreements We Reviewed

VENDOR / AGREEMENT NUMBER / FISCAL YEAR	AGREEMENT AMOUNT	FUNDING SOURCE(S)	SERVICES	PERFORMANCE MEASURES CLEARLY DEFINED?	RECEIVED PERFORMANCE REPORTING?
Destination: Home SV HTF-16-011C *2020–21*	$3,000,000	Homeless Housing, Assistance and Prevention (HHAP)	Employment Initiative and Homelessness Prevention System	**Ill-Defined**	**Yes**
Destination: Home SV HTF-16-011D *2020–21*	2,735,000	Measure E	Homelessness Prevention System	**Ill-Defined**	**Incomplete**
People Assisting the Homeless (PATH) ESG-20-EC01 *2020–21*	2,066,188	Emergency Solutions Grants—CARES Act Round 2 (ESG-CV2)	Service Outreach Assistance and Resources (SOAR)	**Ill-Defined**	**Incomplete**
The Health Trust HALA-17-003C *2020–21*	234,956	General Fund	Rapid rehousing—Supportive services	**Ill-Defined**	**Not Received**
Destination: Home SV HTF-21-004 *2021–22*	4,800,000	HHAP2 Measure E	Homelessness Prevention System	**Ill-Defined**	**Incomplete**
Opening Doors 2020 647021 *2021–22*	187,000	General Fund	Downtown Meals and Services Program	**Ill-Defined**	**Incomplete**
LifeMoves ESG-21-003A *2021–22*	2,000,000	General Fund and Housing Authority Litigation Award	Rapid rehousing	**Ill-Defined**	**Yes**
Abode Services GF-20-005B *2021–22*	1,746,264	HomeKey Housing Homeless Program	SureStay Hotel	**None**	**Not Received**

VENDOR / AGREEMENT NUMBER / FISCAL YEAR	AGREEMENT AMOUNT	FUNDING SOURCE(S)	SERVICES	PERFORMANCE MEASURES CLEARLY DEFINED?	RECEIVED PERFORMANCE REPORTING?
Sacred Heart Community Service CPS-20-003 *2021–22*	1,000,000	Community Development Block Grant—CARES Act Round 1 (CDBG-CV1)	Emergency Rental Assistance Program—COVID-19 Case Management	**Ill-Defined**	**Incomplete**
Sacred Heart Community Service GF-20-007A *2022–23*	12,305,942	Emergency Rental Assistance Program (ERAP)	Emergency Rental Assistance Program	**Ill-Defined**	**Incomplete**
Destination: Home SV HTF-21-004A *2022–23*	8,000,429	Measure E	Homelessness Prevention System	**Ill-Defined**	**Incomplete**
People Assisting the Homeless (PATH) GF-19-013C *2022–23*	2,880,000	HHAP	Emergency Interim Housing (EIH) at Evans Lane	**Ill-Defined**	**Not Received**
People Assisting the Homeless (PATH) ERF-22-10018-01 *2022–23*	801,000	Encampment Resolution Fund (ERF)	Safe Encampment Resolution	**Ill-Defined**	**Incomplete**
HomeFirst Services of Santa Clara County ESG-20-002B *2022–23*	300,000	Measure E	Rapid rehousing program	**Ill-Defined**	**Yes**

Source: San José agreement files and auditor assessment.

Similarly, San Diego did not clearly define its expected performance measures in six of the 14 agreements we reviewed, as Table 5 shows. In San Diego, the housing commission managed 11 of the 14 agreements, although the city provided oversight of that management. Nonetheless, the city indicated that it did not generally require that the housing commission set specific targets or goals for the performance measures in those agreements the commission managed, unless the funding source mandated establishing such targets. For example, in a $1.6 million agreement for interim housing and supportive services, the housing commission did not specify how many people the provider should serve or set a target for shelter occupancy. Housing commission staff explained that attaching goals to certain metrics can create unintended adverse behaviors from service providers to meet those goals, which is why some previous performance metrics have moved to reporting only.

Moreover, two of San Diego's 14 agreements did not establish any performance measures. For example, the city entered into a $415,000 agreement for outreach and engagement services but only required the service provider to report on data on referrals to services and exits to permanent housing; the city did not specify any targets or goals for the performance measures. San Diego received the report from the provider, but it was incomplete because it did not include exits to permanent housing. However, without consistently defining measurable expectations for service providers, both the city and the housing commission risk those providers' using city dollars ineffectively and ultimately not reducing homelessness.

Table 5

San Diego Did Not Always Clearly Define Performance Measures or Ensure It Received Complete Performance Reporting in the Service Provider Agreements We Reviewed

VENDOR / AGREEMENT NUMBER / FISCAL YEAR	AGREEMENT AMOUNT	FUNDING SOURCE(S)	SERVICES	PERFORMANCE MEASURES CLEARLY DEFINED?	RECEIVED PERFORMANCE REPORTING?
Mental Health Systems, Inc. HHI-20-07.1* *2020–21*	$419,750	General Fund and Affordable Housing Fund	Transitional housing and supportive services	**Yes**	**Incomplete**
Veterans Village of San Diego HHI-20-22* *2020–21*	1,955,443	General Fund	Bridge housing and supportive services	**Yes**	**Yes**
Family Health Centers of San Diego, Inc. HHI-18-22.1* *2020–21*	1,550,000	Community Development Block Grant (CDBG) General Fund Low and Moderate Income Housing Fund	Housing Navigation Center	**Ill-Defined**	**Yes**
People Assisting the Homeless HHI-21-17* *2020–21*	529,416	CDBG General Fund Low and Moderate Income Housing Fund	Operate housing commision's Homelessness Response Center	**Ill-Defined**	**Yes**
Alpha Project for the Homeless HHI-20-11.2* *2021–22*	2,959,661	HHAP ESG-CV2	Bridge shelter	**Yes**	**Yes**
People Assisting the Homeless HHI-21-16.1* *2021–22*	2,375,000	HHAP General Fund	Coordinated street outreach	**Yes**	**Yes**
St. Vincent de Paul Village, Inc. (Father Joe's Villages) HHI-21-03.1* *2021–22*	1,989,585	CDBG ESG General Fund Housing Commission	Interim shelter	**Yes**	**Yes**
Alpha Project for the Homeless HHI-22-41* *2021–22*	1,635,554	General Fund	Interim housing and supportive services	**Ill-Defined**	**Incomplete**
City Net N/A† *2021–22*	415,000	General Fund	Outreach to residents of encampments	**None**	**Incomplete**
St Vincent de Paul Village, Inc. (Father Joe's Villages) HHI-22-57* *2022–23*	10,458,046	HHAP	Golden Hall Bridge Shelter	**Yes**	**Yes**
Alpha Project for the Homeless HHI-20-20.2* *2022–23*	6,571,548	HHAP	Bridge shelter	**Yes**	**Yes**
PATH San Diego N/A† *2022–23*	3,475,000	HHAP General Fund	Coordinated street outreach	**None**	**Incomplete**

VENDOR / AGREEMENT NUMBER / FISCAL YEAR	AGREEMENT AMOUNT	FUNDING SOURCE(S)	SERVICES	PERFORMANCE MEASURES CLEARLY DEFINED?	RECEIVED PERFORMANCE REPORTING?
The Lesbian, Gay, Bisexual, Transgender Community Center HHI-23-30A* *2022–23*	704,190	General Fund	Shelter and supportive services	**Yes**	**Yes**
National Alliance for Mental Illness San Diego N/A† *2022–23*	596,914	General Fund	Overnight shelter with case management	**Ill-Defined**	**Yes**

Source: San Diego agreement files and auditor assessment.

* Housing commission-managed agreement.

† Agreement does not have an agreement number.

Aside from not consistently establishing clearly defined performance measures in the agreements they entered into, the cities also did not always ensure that they received required data on provider performance. The agreements required providers to submit reports that present data on the activities they performed and the outcomes of their efforts. For example, San José's housing department's agreements specify that service providers must submit quarterly performance reports through an online system that the city uses to manage grants (grants system). However, we found that the grants system was incomplete and consequently, upon our request, staff had to search elsewhere for the reporting associated with some of the agreements we reviewed. Similarly, San Diego did not receive all the necessary reporting for four of the 14 agreements we reviewed. For example, the reporting it received for one agreement for outreach services worth about $3.5 million was incomplete because it lacked a required assessment by the provider of the services in question. Without complete and clear reporting of such data, the cities' ability to determine the effectiveness of the services they purchased is limited.

Moreover, we found that when the cities did receive provider performance data, the cities' assessments were confusing at times. For example, in one assessment that San José performed of a $2 million amendment to an agreement for rapid rehousing services, city staff assessed a provider's performance as "adequate." However, the city staff's description in the assessment of the provider's performance indicated that the provider had failed to meet nearly all activity goals for the year. While the provider did not meet the contract performance targets, the city believes the performance was adequate given difficult circumstances related to moving people from an encampment into housing and agreed that it could have better documented why its assessment of the performance was adequate.

We identified similar problems with San Diego's performance assessments. The housing commission explained that it uses its monthly data collection tools to compare results of a program to the contracted benchmarks and that it bases these contracted benchmarks on its CoC's community standards and other best practice information. When we reviewed a data collection tool for an interim housing and supportive services contract, we saw that the service provider was consistently not meeting the stated benchmark of 26 percent exits to permanent housing. In fact, the percentage of exits to permanent housing was 6 percent during the term of the agreement. Given that the provider was falling significantly short of meeting this benchmark, we would have expected the housing commission to analyze the provider's performance to determine whether the agreement was effective. However, the data collection tool did not include such an analysis from the commission.

Although both cities asserted that they monitored or reviewed the performance of their service providers, their staff did not always document overall conclusions about the effectiveness of the service providers' efforts. One reason for this gap is that the cities' procedures do not require staff to formally document such assessments. These types of assessments are crucial for ensuring accountability and the reduction and prevention of homelessness. San José acknowledged that its agreement management procedures are outdated, and it stated that it is in the process of updating its guidelines to include more direction on how to assess an agreement for effectiveness and how to document that assessment. According to the housing commission, the agreements in which we identified shortcomings were for new programs that had standards that changed or had not yet been developed or the nature of the agreement did not warrant certain performance metrics. The housing commission provided documentation of its efforts to ensure compliance with agreement requirements, such as reviewing samples of program files to assess areas in which providers are performing well or may require additional technical assistance. However, it agreed that it could better document its assessments of the on-going performance of these agreements. Sometimes circumstances exist that are beyond the contractor's control that may impact program performance, such as the COVID-19 pandemic and housing shortages.

Without such analyses, it is unclear how the cities and the housing commission decide to renew agreements. The weaknesses we note above have limited the information available to the cities when making such decisions. For example, in fiscal year 2022–23, San José funded an agreement for homelessness prevention services with $8 million from Measure E. The service provider reported having vastly exceeded expectations on most requirements, stating that it had provided financial assistance payments to more than 1,200 households in a three-month period when the goal was only 215. Moreover, at the end of the agreement term, the provider reported providing a total of nearly 4,000 financial assistance payments, when the goal was only 860. When we asked city staff to explain how the service provider could have achieved such results within the agreement's budget constraints, they were initially unable to do so. However, after talking with the service provider, the city conveyed to us the service provider's explanation that it had reported its total number of financial assistance transactions, rather than the number of unduplicated households it helped.

When we reviewed the updated version of the service provider's results, we found that the provider actually did not meet the goal for the agreement term. In fact, it reported making only 789 payments during the agreement term. San José had not noticed or investigated the original inflated results in its assessments of the provider's performance. Nevertheless, the city negotiated an extension to the agreement with the service provider for fiscal year 2023–24 without having accurate performance data.

Agreements with service providers are critical to cities' efforts to reduce and prevent homelessness. When the cities either do not establish clear objectives in those agreements or do not monitor providers' performance in achieving objectives, they risk failing to meet the needs of their residents who are experiencing homelessness.

Neither San José nor San Diego Has Measured the Effects of All Its Efforts to Mitigate the Health and Safety Risks of Unsheltered Homelessness

People experiencing unsheltered homelessness face significant health and safety risks, particularly if they live in encampments. San José has established some programs to mitigate these health and safety risks. However, it has not measured the effectiveness of those programs. San Diego has allocated resources to programs related to public health and safety and has provided services to mitigate health and safety risks for people experiencing unsheltered homelessness. Nonetheless, San Diego did not always measure the effectiveness of its programs. The cities' lack of clear performance measures leaves them unable to assess whether their health and safety actions have effectively addressed the profound risks that individuals living in encampments face.

Because the cities have not consistently developed performance measures to evaluate the effectiveness of their programs, we reviewed the data that the cities have collected on program outcomes and on the frequency with which programs have contacted individuals experiencing unsheltered homelessness. Both cities have set some expectations related to frequency and do collect some data, however, they do not use performance measures, such as reductions in the frequency of public health-related complaints, to evaluate effectiveness.

Although San José Took Actions to Address Health and Safety at Encampments, It Did Not Always Assess the Effectiveness of Those Actions

Beginning during the COVID-19 pandemic, San José significantly increased its spending on programs related to the health and safety of people living in encampments and in residences in the surrounding communities. From fiscal years 2020–21 through 2022–23, San José budgeted a combination of federal, state, and local city funding for encampment site-specific services and programs related to the health and safety of people experiencing unsheltered homelessness, as Table 6 shows. Its annual budgeted funding for these purposes increased from $12.7 million in fiscal year 2020–21 to $19 million in fiscal year 2022–23.

San José adopted an encampment management strategy and safe relocation policy in 2021 that generally aligns with best practices. Specifically, encampment management best practices indicate that local governments should provide access to safe places to sleep and should provide public health services.[5] In addition, the U.S. Interagency Council on Homelessness published principles for addressing encampments that specify that communities should keep encampments away from areas that are unsafe. In alignment with these principles, San José designed its policy to minimize abatements and support people experiencing unsheltered homelessness where they are unless that location presents risk factors, such as reoccurring unsanitary conditions or potential for fire.

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[5] *Encampment Principles and Best Practices*, National Law Center on Homelessness and Poverty.

Table 6

San José Increased Its Budgeted Funding for Health and Safety Programs From Fiscal Year 2020–21 Through 2022–23

			FISCAL YEAR		
PROGRAM AND DEPARTMENT	REPORTED OUTCOMES	FUNDING SOURCE	2020–21	2021–22	2022–23
Parks, Recreation and Neighborhood Services Department					
BeautifySJ program: Provides encampment sanitary services, such as regular trash pick-ups, and abatements.	From fiscal year 2020–21 through 2022–23, provided: • 22,100 regular trash visits • 640 biowaste cleanups • 590 abatements • 280 enhanced cleanups	General Fund *(local)*	$919,000	$949,000	$13,675,000
		Coronavirus Relief Fund *(federal)*	1,424,000	36,000	—
		American Rescue Plan *(federal)*	—	4,514,000	1,210,000
Housing Department					
Service, Outreach and Neighborhood Services Hygiene program: Provides hygiene stations at some of the city's largest encampments.	In fiscal year 2020–21: • Placed 83 portapotties and 57 handwashing stations at encampments. From fiscal year 2021–22 through 2022–23: • San José did not measure the outcomes.	Multi-Source Housing Fund *(mix of state, local, and federal)*	89,000	291,000	741,000
Dignity on Wheels Mobile Hygiene program: Provides mobile laundry, shower, and other basic needs services.	From fiscal year 2020–21 through 2022–23: • Served about 4,500 individuals. • Provided about 29,800 showers and 9,600 laundry loads.	Housing Trust Fund *(local)*	500,000	500,000	500,000
		Homeless Housing, Assistance and Prevention *(state)*	—	—	500,000
Safe Parking program for recreational vehicles: San José designates parking lots for people living out of their RVs to safely stay overnight.	In fiscal year 2020–21: • Served 162 individuals at two city-owned community centers. In fiscal year 2023–24: • Served 65 unduplicated individuals at one RV safe parking location that opened in July 2023.	Housing Trust Fund *(local)*	350,000	—	20,000
		American Rescue Plan *(federal)*	—	—	1,000,000
		Homeless Housing, Assistance and Prevention *(state)*	—	—	500,000
Overnight Warming Locations: San José operates overnight warming locations on city property during cold winter months for people experiencing unsheltered homelessness.	From fiscal year 2020–21 through 2022–23: • Served about 1,950 people in its overnight warming locations.	ESG, Community Development Block Grant, and Housing Trust Fund *(federal and local)*	4,712,000	915,000	855,000
		CARES Act *(federal)*	4,716,000	—	—
		Totals	**$12,710,000**	**$7,205,000**	**$19,001,000**

Source: City of San José departments.

Note: Because of the way the city budgets and accounts for some programs, we used actual spending instead of budgeted amounts to identify funding for certain programs.

Nonetheless, San José has not adequately evaluated its efforts to mitigate health and safety issues related to encampments. Although the city has set some expectations related to the frequency of the services it provides, it has not developed performance measures to evaluate how well its programs are mitigating health and safety risks. As a result, it is difficult to assess whether its programs are effective.

For example, San José reported that it took steps during the pandemic to mitigate public health risks at encampments by providing some encampment site-specific services, including an enhanced weekly encampment trash program and escalated cleanups and abatements through programs such as BeautifySJ and Services, Outreach, Assistance, and Resources. Under BeautifySJ, the city committed to performing trash pickups on a weekly basis at encampments. The city's service data indicate that it completed about 33,600 service visits at about 250 encampments from 2020 through 2023. These visits included about 22,100 regular trash service visits, about 640 biowaste cleanups, and about 590 abatements.

Although the city tracks its visits to encampments, our review of its data and reporting did not identify information demonstrating the effectiveness of its encampment services at mitigating health risks, such as a reduction in the number of public health incidents occurring at encampments. San José asserted that it was planning to hire a consultant to develop performance measures for BeautifySJ. The use of performance measures would better allow the city to evaluate whether it is achieving its goal of improving quality of life for unsheltered individuals and of creating healthy neighborhoods for all its residents.

In addition to its programs focused on mitigating health risks, San José funded two programs from fiscal years 2020–21 through 2022–23 that provide safety to people experiencing unsheltered homelessness: the Safe Parking program (Safe Parking) and the Overnight Warming Locations program (Warming Locations). As Table 6 describes, Safe Parking involves the city designating parking lots that have overnight security in which individuals can safely sleep in their recreational vehicles (such as motorhomes or trailers), while Warming Locations involves the city's opening locations with security on city property for unsheltered individuals during the cold weather months.

San José's implementation of both of these programs has addressed the safety of a small subset of the people experiencing unsheltered homelessness. For example, San José reported providing Safe Parking at two city-owned sites for people who sleep in their recreational vehicles. It stated that the program temporarily served about 162 individuals during fiscal year 2020–21. However, city staff explained that the city did not renew the agreement with this service provider after it expired in June 2021 because the city had changed how it wished to serve people residing in vehicles. The city did not open a new safe parking location until recently, in July 2023. This new location currently can serve about 42 recreational vehicles on a daily basis, which is far fewer than the 700 recreational vehicles in which the city estimates people are living.

In addition, in June 2022, San José approved funding for a Safe Parking program for people who sleep in their cars. However, according to city staff, it did not open this location because a site for safe parking could not be identified by the city. Without a sufficient number of safe parking sites, the city increases the safety risks, such as physical or emotional threats, that people who sleep in their vehicles may face.

Moreover, the city was unable to follow through with its plans to abate one of two large encampments by its airport. The Federal Aviation Administration (FAA) mandated that for safety reasons, San José must abate an encampment at Guadalupe Gardens because the park is in the airport's flight path. In October 2022, San José reported to the FAA that it successfully had done so. The city also planned to abate an encampment at Columbus Park, which is adjacent to Guadalupe Gardens, by November 2022. However, it now does not expect to complete this abatement until the end of 2024 at the earliest. The city indicated that not everyone in the encampment was able to relocate to Safe Parking sites because some did not qualify for the program for reasons including not being able to provide proof of vehicle ownership. Accordingly, the city indicated that Columbus Park has continued to serve as an encampment for more than a dozen vehicles.

Although city staff stated that San José Police Department officers accompany the BeautifySJ team during abatements on an on-demand basis, the city does not have specialized police units dedicated to the concerns of individuals experiencing unsheltered homelessness. In 2018 the San José Police Department received a grant to start a new program—the Mobile Crises Assessment Team—that sends a team of dedicated officers and county behavioral health clinicians to respond immediately to community members experiencing mental health crises. The police department asserted that this program is intended to serve both people who are experiencing unsheltered homelessness and those who are living in residences. However, police department staff explained that the program primarily serves people in residences. In contrast, San Diego has police units dedicated to working with and providing outreach to people experiencing unsheltered homelessness, as we discuss in the section that follows.

San José also has not established a consistent and formalized process for working with the county health department at encampments. In its fiscal year 2020–21 annual report to a city council committee, the city described its joint efforts with the county health department during the COVID-19 pandemic, which included providing vaccines to people experiencing unsheltered homelessness. However, the city staff indicated that the city does not have a contract with the county health department to establish each party's roles and responsibilities for mitigating public health risks.

According to the city staff, San José relies primarily on its outreach contractors to report to the county public health-related risks at encampments. In addition, the city explained that it collaborates with the county to address health concerns such as outbreaks. However, San José's lack of an established process for working with the county's health department to identify and mitigate public health risks at encampments could cause delays in the city's response to public health emergencies in the future. The city agreed that it could strengthen or formalize its collaboration with the county on significant public health concerns.

Although San Diego Has Taken Actions to Address Health and Safety at Encampments, It Does Not Measure the Effectiveness of All Its Programs

San Diego's total budgeted funding for public health and safety related to unsheltered homelessness has increased over the last three fiscal years, as Table 7 shows. From fiscal years 2020–21 through 2022–23, San Diego increased its budgeted funding for programs that help ensure the health and safety of people experiencing unsheltered homelessness and living in residences in the communities surrounding encampments. Over this period, the city's total budgeted funding for these programs grew from $32 million to $43 million.

Table 7
San Diego Increased Its Budgeted Funding for Health and Safety Programs From Fiscal Years 2020–21 Through 2022–23

			FISCAL YEAR		
PROGRAM AND DEPARTMENT	REPORTED OUTCOMES	FUNDING SOURCE	2020–21	2021–22	2022–23
Environmental Services Department					
Clean SD program: Conducts litter pickup, addresses instances of illegal dumping, sanitizes sidewalks, conducts curbside community clean ups, and implements abatements.	From fiscal year 2020–21 through 2022–23: • Abated about 1,200 to 2,300 encampments per year. • Sanitized about 6,600 to 8,500 sidewalk blocks to reduce the potential presence of bacteria and communicable diseases.	General Fund *(local)*	$7,258,000	$6,875,000	$11,818,000
		Refuse Disposal Fund *(local)*	—	2,000	—
San Diego Police Department—Neighborhood Policing Division (NPD)					
Homeless Outreach Team, Neighborhood Policing Teams, and the Crime Prevention Team: Implements homelessness outreach services, proactive law enforcement, and encampment abatement assistance.	From fiscal year 2020–21 through 2022–23: • Homeless Outreach Team reached about 18,000 to 23,000 duplicated number of people per year. • Assisted about 4,900 to 7,800 people per year. • Placed about 850 to 2,300 people into shelters per year.	General Fund *(local)*	23,565,000	27,910,000	28,277,000
San Diego Housing Commission					
Day Center: Provides a safe and comfortable drop-in center for adults at risk of or experiencing homelessness, offering a variety of basic needs services.	From fiscal year 2020–21 through 2022–23: • Served about 5,700 to 6,000 people per year. • Provided about 20,600 to 23,500 showers and about 1,800 to 3,400 laundry cycles per year.	Community Development Block Grant *(federal)*	541,000	250,000	500,000
		General Fund *(local)*	—	150,000	150,000

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PROGRAM AND DEPARTMENT	REPORTED OUTCOMES	FUNDING SOURCE	FISCAL YEAR		
			2020–21	2021–22	2022–23
Multidisciplinary Outreach Teams: Their goals are engagement, health stabilization, and connection to shelter and/or housing. This team focuses on a subset of unsheltered individuals who have very high needs and struggle to engage with services.	In fiscal year 2022–23: • Served about 13 individuals.	General Fund *(local)*	—	—	450,000
San Diego Homeless Strategies and Solutions Department					
Safe Parking program: San Diego designates parking lots for people living out of their vehicles to provide a place to safely stay overnight and services to navigate them toward permanent housing.	From fiscal year 2020–21 through 2022–23: • Served about 970 to 1,150 people per year in its safe parking locations.	Community Development Block Grant *(federal)*	—	—	444,000
		Homeless Housing, Assistance and Prevention *(state)*	957,000	957,000	993,000
Street Medicine program: Provides mobile medical care, offering full scope primary care medical services, addiction treatment, psychiatric care, and case management for unhoused population.	In fiscal year 2022–23: • Served about 160 individuals, including 71 who reported having a mental illness and 44 who reported having an impairment caused by drug use.	General Fund *(local)*	—	—	278,000
Safe Sleeping program: Serves as a safe, secure, and low barrier alternative resource for individuals experiencing homelessness.	Safe Sleeping program started in fiscal year 2023–24; thus, there was no funding information available prior to that time.				
		Totals	**$32,321,000**	**$36,144,000**	**$42,910,000**

Source: San Diego budget documents, agreements with service providers, other city documentation, and documentation from the housing commission.

However, San Diego has not evaluated the effectiveness of some of its health and safety programs, limiting its ability to determine whether these programs have helped to mitigate the risks for people experiencing unsheltered homelessness. For example, the Neighborhood Policing Division (NPD) in the San Diego Police Department provides homelessness outreach and proactive enforcement services for the safety of people experiencing unsheltered homelessness and residents in the surrounding community, as Table 7 shows. City staff explained that NPD collects general data on a daily basis, including the number of people its Homeless Outreach Team reached, assisted, or placed into housing. NPD staff provided data from 2020 through 2022 that indicate that the NPD Homeless Outreach Team officers reached about 18,000 to 23,000 people per year and placed about 850 to 2,300 people per year into a shelter. However, city staff indicated that these data are not unduplicated and that NPD does not have measures to evaluate the effectiveness of its actions and has identified other potential measures such as the number of individuals directed to mental health services and response times to complaints from residents.

Although the city collects data about program actions, San Diego also has not measured the effectiveness of some of its programs that focus on health. For example, as part of its Clean SD program, San Diego identified actions— such as sanitizing sidewalks and addressing illegal dumping—that mitigate health risks to the public, including people experiencing unsheltered homelessness. For example, Clean SD has crews that clean up waste and litter on a daily basis from areas near encampments that pose a public health or environmental concern. Clean SD staff provided data that indicate that from fiscal years 2020–21 through 2022–23, the program annually abated from 1,200 to 2,300 encampments, sanitized sidewalks by cleaning about 6,600 to 8,500 blocks to reduce the potential presence of bacteria and communicable diseases, and addressed from 5,000 to 7,000 encampment-related complaints from the public.

Although the city tracked these data and set some expectations around the frequency with which Clean SD would provide services, it did not develop performance measures for evaluating the program's effectiveness, such as a reduction in public health incidents arising from encampments. City staff explained that the city did not develop such measures because Clean SD has always been a collaboration among different city departments and lacked a central manager. According to the city staff, the city did not make Clean SD into a separate division within its Environmental Services Department until fiscal year 2023–24. City staff explained that the city is working with the new division's management to develop performance measures that it can use to evaluate the program's impact.

San Diego has measured the number of people served by some city-funded programs designed to ensure the health and safety of people experiencing unsheltered homelessness. For example, from fiscal years 2020–21 through 2022–23, the city and the housing commission administered programs through agreements with service providers to meet the immediate health and safety needs of people experiencing unsheltered homelessness, including programs that provided safe parking and safe sleeping. The city reported that it has four safe parking locations for recreational vehicles and cars with a total of 233 parking spots, and its website indicates that it has two safe sleeping locations that can serve 533 tents. The city reported that its safe parking program served more than 3,000 people in fiscal years 2020–21 through 2022–23, as Table 7 shows. In addition to the sites it already has, San Diego has identified options for more safe parking and safe sleeping locations to ensure individuals' safety while the city searches for other shelter options.

As the result of a previous public health incident, San Diego has established formal collaboration with the county for its work on public health. Specifically, the city entered into a memorandum of agreement (MOA) with San Diego County's Health and Human Services Agency (HHSA) in 2020 to clarify their contractual relationship related to public and environmental health services. The city and county took this action following a 2018 San Diego County grand jury report that revealed that they did not coordinate their responses during a hepatitis A outbreak in the city among individuals who were experiencing unsheltered homelessness that resulted in 20 deaths.[6] The California State Auditor's 2018 audit report included similar findings.[7]

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[6] *The San Diego Hepatitis A Epidemic: (Mis)Handling a Public Health Crisis*, San Diego County grand jury, May 2018.

[7] *San Diego's Hepatitis A Outbreak: By Acting More Quickly, the County and City of San Diego Might Have Reduced the Spread of the Disease*, Report 2018-116, December 2018.

The current, collaborative process facilitates the city and the county working together to identify public health risks at encampments and address them in a timely manner. The public health and safety MOA clarifies the city's and county's roles and responsibilities in their coordinated response to public health matters. In October 2021, San Diego County's HHSA reported an outbreak of shigellosis—an intestinal infection—among people experiencing homelessness in the city. In January 2022, the city declared the outbreak resolved without any deaths. It credited this outcome to its work with the county, demonstrating the importance of having a coordinated response.

The Cities' Limited Access to HMIS Data May Impede Their Efforts to Evaluate Homelessness Programs

Several federal and state laws and regulations may impede the ability of the State and local jurisdictions to accurately assess and track certain information about people who are experiencing homelessness. The text box lists some of these laws, which generally protect the confidentiality of personal information. The limitations to data-sharing further emphasize the importance of the cities' monitoring the performance of their service providers to ensure the success of the programs they fund.

The main source of data about people experiencing homelessness is HMIS, for which the CoCs are responsible. HMIS is a local information technology system in which recipients and subrecipients of federal funding record and analyze client, service, and housing data for individuals and families at risk of or experiencing homelessness. CoCs must ensure compliance with the federal Privacy and Security Standards for HMIS. These standards allow certain uses of a person's protected personal information (protected information), including for service provision and coordination, service payment and reimbursement, administrative functions such as audits, and removing duplicate data. Although the standards allow local governments to access data they enter into HMIS, they may not have access to personal information entered by other entities. CoCs use consent forms to allow them to use data provided by people who access homelessness services.

Both cities we reviewed indicated that they believe they would benefit from greater access to HMIS data. San José has an agreement with

Federal and State Laws and Regulations Limit the Data That Can Be Shared Without Consent

FEDERAL

Health Insurance Portability and Accountability Act: Applies to health plans and certain health care providers. Some protected health information data may be disclosed without consent if the data will only be used for limited purposes.

Family Educational Rights and Privacy Act: Applies to educational agencies or institutions that receive federal funding. Personally identifiable information from educational records can be disclosed without consent as long as it is used for purposes related to that person's education.

Violence Against Women Act: Applies to covered housing providers who serve victims of domestic or dating violence, sexual assault, or stalking. The providers cannot share a victim's information without consent of the victim.

HMIS Standards: Client consent is required to share data but not to enter data into HMIS.

Substance Use Records: Some records can be disclosed without consent in case of medical emergency, research, or audit purposes. Consent form must outline exactly what can be disclosed; can be revoked at any time.

STATE

Confidentiality of Medical Information Act: Individual must consent to disclosure of medical information by a health care plan or provider unless there is a court order, search warrant, death investigation, or need for diagnosis or treatment.

Information Privacy Act of 1977: Individual must consent to disclosure of personal information by a state agency unless there is a legal requirement or a medical necessity.

Juvenile Case Records: Files may only be accessed by someone who is related to, works with, or represents the child.

Source: Federal and state laws.

Santa Clara County to have full access to data that the city has entered into the county's HMIS. Through this agreement, San José is required to participate in HMIS and must comply with HUD data standards when collecting data. The agreement also requires the city to comply with federal and state confidentiality laws and regulations.

San José's deputy city manager for homelessness indicated that if the city fully utilized data available in HMIS, it would be able to understand and analyze the data better and make better decisions about its programs for preventing and ending homelessness, and that the city is working with the county to expand its access to HMIS to the City Manager's Office, as well as other departments whose staff work directly with people experiencing homelessness. He further stated that having access to disaggregated data could enable the city to understand changes in the demographics of the population experiencing homelessness and adjust its approach to better suit their needs. He also stated that the city could track which programs are working and understand additional questions or areas to explore to understand why they are working.

San Diego also believes that greater access to HMIS would be beneficial. The Regional Task Force operates the HMIS for the San Diego CoC. The city has a memorandum of understanding with the housing commission that states the housing commission and its contractors will enter data into HMIS. However, the director of San Diego's HSSD noted that the city does not have direct access to this HMIS data because of CoC restrictions. According to the director, San Diego has direct access to data only for projects it directly oversees, not data for projects run by other entities within the city.

San Diego explained that its lack of citywide access to HMIS limits its ability to track the impacts of its projects in real time. Instead, the city can receive aggregated reports on its programs every two to three weeks. The city asserted that tracking its programs in real time would allow it to coordinate its services more effectively and maximize funding directed to positive outcomes.

Although increased data-sharing would likely have benefits, the State and cities must work within the state and federal laws and regulations that limit the sharing of protected information. Nevertheless, the California Interagency Council on Homelessness (Cal ICH)—the state entity responsible for coordinating the State's efforts to prevent and end homelessness—has begun to facilitate some data-sharing by making available a dashboard with the anonymized aggregate data that it receives from each of the CoCs. The dashboard includes information such as the number of people accessing particular services. By creating this dashboard, Cal ICH has enabled CoCs to coordinate with cities and other local jurisdictions to analyze the data and compare the outcomes of similar programs without compromising personal information.

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To Better Address Homelessness, San José and San Diego Will Need to Develop Additional Interim and Permanent Housing

Key Points

- In both San José and San Diego, more than 85 percent of the placements for individuals experiencing unsheltered homelessness moved those individuals into interim, rather than permanent, housing. Although interim housing serves an important purpose, around 40 percent of people exiting such placements returned to unsheltered homelessness.
- In recent years, both San José and San Diego have taken steps to develop additional interim housing sites. However, neither city currently has the capacity it requires.
- The cities' efforts to address their lack of permanent housing have not produced enough of such housing to meet the needs of people experiencing homelessness. Although San José has not set a target for the number of permanent supportive housing units it needs, San Diego has done so. Nevertheless, neither city has a clear, long-term plan to develop and fund the permanent housing it needs.

Although Interim Housing Provides Important Shelter, Most Placements of People Experiencing Unsheltered Homelessness in Interim Housing Do Not End Up in Permanent Housing

The final phase of homelessness—exiting homelessness—should culminate in entering permanent housing, but most placements of people experiencing unsheltered homelessness are into interim housing. HUD defines the types of interim housing available for people experiencing homelessness, as the text box shows. We refer to these three types of housing collectively as *interim housing*. Interim housing does not involve a long-term solution to an individual's living situation and is considered *sheltered homelessness*. Nonetheless, interim housing is a critical service that protects people from many of the impacts of unsheltered homelessness, such as the health and safety risks we previously described. An interim housing facility may have multiple beds in a single shared space or may have a number of individual units, each of which has one or more beds.

Types of Interim Housing

Emergency Shelter: Any facility with the primary purpose of providing a temporary shelter for the homeless in general or for specific populations of the homeless and which does not require occupants to sign leases or occupancy agreements.

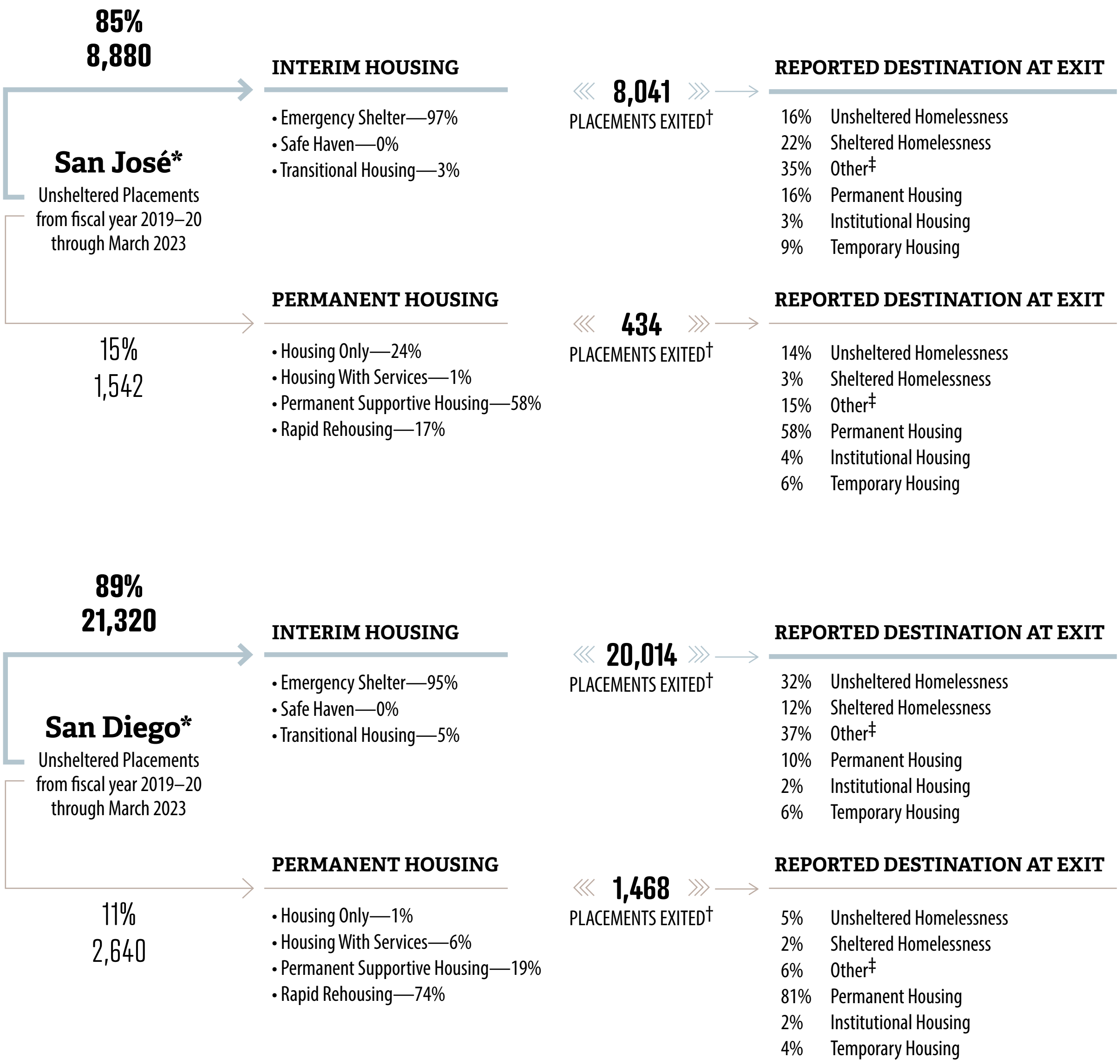
Transitional Housing: Housing that facilitates the movement of homeless individuals and families into permanent housing within 24 months or longer, as determined necessary.

Safe Haven: Supportive housing that serves hard-to-reach homeless persons with severe mental illness who came from the streets and have been unwilling or unable to participate in supportive services.

Source: Federal regulations.

In both San José and San Diego, at least 85 percent of placements for people experiencing unsheltered homelessness move people into interim housing, as Figure 8 shows. These numbers align with the statistics we present in Report 2023-102.1. We used

Figure 8
Most Unsheltered Placements Were Into Interim Housing


85%
8,880
San José*
Unsheltered Placements from fiscal year 2019–20 through March 2023
15%
1,542
INTERIM HOUSING
• Emergency Shelter—97%
• Safe Haven—0%
• Transitional Housing—3%
8,041
PLACEMENTS EXITED†
REPORTED DESTINATION AT EXIT
16% Unsheltered Homelessness
22% Sheltered Homelessness
35% Other‡
16% Permanent Housing
3% Institutional Housing
9% Temporary Housing
PERMANENT HOUSING
• Housing Only—24%
• Housing With Services—1%
• Permanent Supportive Housing—58%
• Rapid Rehousing—17%
434
PLACEMENTS EXITED†
REPORTED DESTINATION AT EXIT
14% Unsheltered Homelessness
3% Sheltered Homelessness
15% Other‡
58% Permanent Housing
4% Institutional Housing
6% Temporary Housing
89%
21,320
San Diego*
Unsheltered Placements from fiscal year 2019–20 through March 2023
11%
2,640
INTERIM HOUSING
• Emergency Shelter—95%
• Safe Haven—0%
• Transitional Housing—5%
20,014
PLACEMENTS EXITED†
REPORTED DESTINATION AT EXIT
32% Unsheltered Homelessness
12% Sheltered Homelessness
37% Other‡
10% Permanent Housing
2% Institutional Housing
6% Temporary Housing
PERMANENT HOUSING
• Housing Only—1%
• Housing With Services—6%
• Permanent Supportive Housing—19%
• Rapid Rehousing—74%
1,468
PLACEMENTS EXITED†
REPORTED DESTINATION AT EXIT
5% Unsheltered Homelessness
2% Sheltered Homelessness
6% Other‡
81% Permanent Housing
2% Institutional Housing
4% Temporary Housing

Source: State data system.

Note: Rounding of numbers may prevent percentages from totaling 100.

* City location information in state data is imprecise because reported information may show the principal site of a shelter or housing provider but not show all locations. Additionally, placements within a city do not necessarily indicate that the city government was the entity responsible for those placements.

† Some placements of individuals showed that the person had not yet exited the program and was still enrolled and receiving shelter or housing services as of the date we obtained the data; therefore, the number of placements is higher than the number of those who exited the program.

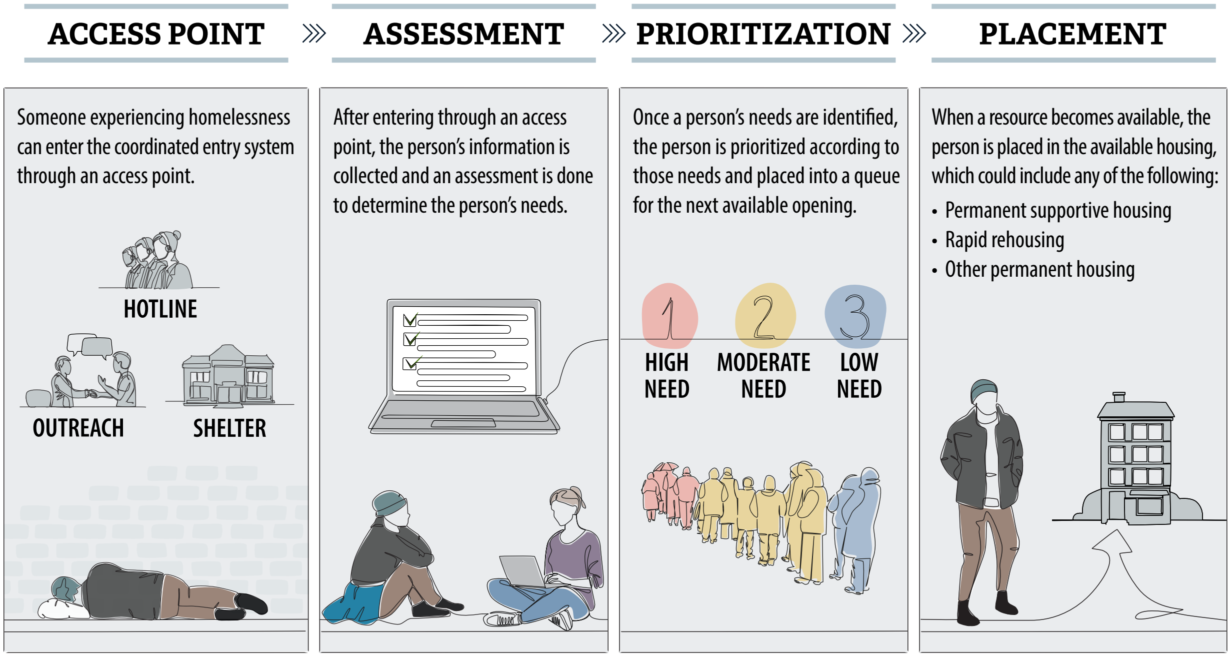
‡ Category *Other* can include the following: *worker unable to determine, client doesn't know, client prefers not to answer, data not collected,* or *other*.

information in the state data system to identify placements moving unsheltered people into housing from July 2019 through March 2023. This data system has limitations in identifying the location of placements because a provider with multiple sites reports all placements at only the principal site. Additionally, the placements within a city are not necessarily the direct responsibility of that city's government.

People experiencing homelessness access interim housing in a variety of ways that involve multiple entities. In some places, people experiencing homelessness can access a shelter through a hotline established in their area. People can also access shelters by walking directly to them or through contact with outreach teams consisting of county, city, or service provider staff. As we explain in a later section, San Diego uses a centralized process that places people into shelters that best meet their needs. For San José, the county has a hotline that connects people experiencing homelessness to shelters.

In contrast, HUD requires CoCs to develop and implement a coordinated entry system that CoC and Emergency Solutions Grant funded projects must use to connect people experiencing homelessness to permanent housing, as Figure 9 shows. A coordinated entry system is a centralized process within a CoC that prioritizes people for permanent housing resources based on their level of need. For San Diego, the Regional Task Force operates the coordinated entry system, and for San José, Santa Clara County operates the coordinated entry system.

Figure 9
HUD Requires a Coordinated Entry System to Connect People With Permanent Housing



ACCESS POINT »

Someone experiencing homelessness can enter the coordinated entry system through an access point.

ASSESSMENT »

After entering through an access point, the person's information is collected and an assessment is done to determine the person's needs.

PRIORITIZATION »

Once a person's needs are identified, the person is prioritized according to those needs and placed into a queue for the next available opening.

PLACEMENT

When a resource becomes available, the person is placed in the available housing, which could include any of the following:

- Permanent supportive housing
- Rapid rehousing
- Other permanent housing

Source: Federal regulations, HUD, Regional Task Force, and Santa Clara County CoC.

In the absence of available permanent housing, having adequate interim housing is critical to providing people experiencing homelessness with shelter. For example, San José and San Diego each had a similar number of people experiencing homelessness—6,340 people in San José and 6,500 in San Diego, according to the 2023 PIT count. However, there were significantly more than twice as many placements in San Diego into interim and permanent housing than in San José, as the text box shows. More people may have been placed in housing in San Diego in part because significantly more interim housing beds are located within it: 4,000, compared to San José's 2,500.

Housing Placements From July 2019 to March 2023

San José:

- Nearly 10,500 total placements: nearly 9,000 into interim housing and more than 1,500 into permanent housing.

San Diego:

- Nearly 24,000 total placements: more than 21,000 into interim housing and more than 2,600 into permanent housing.

Source: State data system.

However, people experiencing unsheltered homelessness who were placed in interim housing had worse outcomes than those placed into permanent housing. As we explain in Report 2023-102.1, the data show that 84 percent of exits statewide from permanent housing placements involved individuals reporting that they were moving into permanent housing, while only 13 percent of exits statewide from interim housing placements involved individuals doing so.[8] The data also show that 44 percent of the exits from interim housing placements involved individuals reporting that they were returning to homelessness, in comparison to only 4 percent of the exits from permanent housing placements. Figure 8 shows roughly similar trends for San José and San Diego.[9]

Data provided by San José suggest that certain types of interim housing, such as its bridge and emergency interim housing sites, are more effective at leading to permanent placements. We describe these types of interim housing in more detail in the next section. San José's data indicate that of the 984 exits from certain bridge and emergency interim housing sites in fiscal years 2020–21 through 2022–23, 478 exits moved individuals into permanent housing. However, the volume of these exits appear to make up a small portion of the total exits in the city: San José had more than 8,000 total exits from interim housing placements from fiscal year 2019–20 through March 2023, as Figure 8 shows.

Because thousands of people continue to experience unsheltered homelessness in both cities, greater capacity to place individuals into interim and permanent housing is needed for homelessness to be significantly reduced. San Diego's unsheltered population decreased from 2,600 in 2019 to just under 2,500 in 2022 before increasing to nearly 3,300 in 2023. San José's unsheltered population declined at a rate of nearly 3.5 percent per year, from 5,100 in 2019 to 4,400 in 2023. The number of placements in both cities fluctuated up and down over these years.

---

[8] People can exit from permanent housing placements. At that time, they generally report their next living situation. For example, HUD defines short- or medium-term rapid rehousing services as a permanent housing placement. When individuals stop receiving rental assistance or supportive services, they exit that housing. Their next living situation could be another permanent housing location, such as an apartment they rent. Alternatively, it could be a return to homelessness.

[9] The reported destinations included an *Other* category that accounted for 35 percent of exits from interim housing placements in San José and 37 percent of exits from interim housing in San Diego. This category includes the following types of exits: *worker unable to determine, client doesn't know, client prefers not to answer, data not collected, or other*.

San José and San Diego Have Established Additional Interim Housing Sites but Still Lack Needed Capacity

As we previously discuss, individuals who are placed in interim housing tend to have worse outcomes than those placed in permanent housing. Nonetheless, building permanent housing for people experiencing homelessness can take considerable time, making the provision of interim housing a critical step. Within San José's and San Diego's city limits, multiple entities may fund and operate interim housing sites, including nonprofits. However, the two cities also have established city-funded interim housing sites. San José currently has nine city-funded interim housing sites, while San Diego has 17. Both cities have plans to establish additional sites over the next several years to meet the needs of their unsheltered populations.

San José Has Not yet Reached Its Goals for Its Provision of Interim Housing

San José has been working for several years to develop interim housing. In 2019, before the start of the COVID-19 pandemic, San José had only one city-funded interim housing site. To help address the immediate need to provide individuals experiencing homelessness with shelter and supportive services during the pandemic, the city rapidly increased the number of interim housing sites it had to nine by 2023. The text box describes the different types of interim housing that the city uses.

Various memos to and from the city council document San José's approach to developing interim housing. For example, in September 2021, the mayor and city council members approved a memo recommending that city staff pursue several initiatives aimed at increasing interim housing capacity. The initiatives included exploring funding opportunities, adding more units to existing sites, and identifying six additional sites for council vote. The memo referenced the city's 2017 goal to have at least one interim housing facility located in each city council district, and it established a goal to create 1,300 interim housing units, which included 300 Homekey units.

Although it is making efforts, San José has yet to meet these goals. The city explained that it uses an internal spreadsheet to track data related to interim housing unit counts. Using these data, San José reported to us that it had interim housing facilities in four of its 10 districts and had completed 589 units. The city indicated that from the early stages of developing interim housing, adjacent neighborhoods have expressed opposition to almost every site. The city identified that opposition and limited available site options as barriers that have made achieving the goal of one interim housing site in each city council district difficult.

Types of Interim Housing San José Uses

Bridge housing communities: Prefabricated modular units that provide interim housing and supportive services to single adults, couples, and/or families. These communities include individual beds/units and shared use of facilities, such as kitchens.

Emergency interim housing: Prefabricated modular units created as an emergency response to the COVID-19 pandemic that provide interim housing and supportive services to single adults, couples, and/or families. This housing includes individual beds/units and shared use of facilities, such as kitchens.

Converted hotels/motels: Primarily a part of the state-funded program Homekey, which provides funding for the conversion of underutilized hotels into interim housing.

Overnight warming locations: Overnight shelters located on city-owned properties during the winter season.

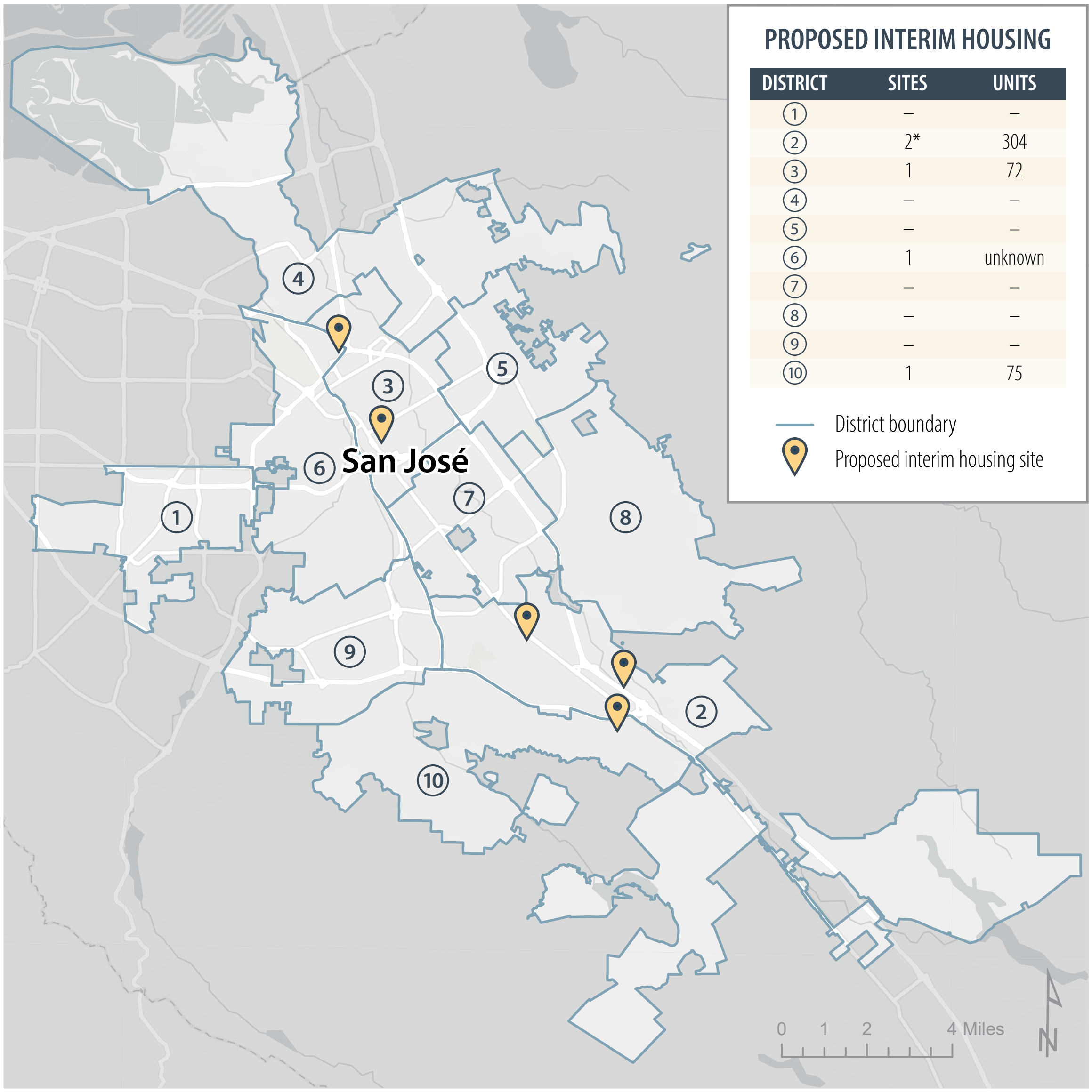
Source: San Jose AB2176 Annual Reports to the Legislature, Housing Department website, and City Council memos.

San José explained that after the city council's approval of the September 2021 memo, it published on its website the Emergency Interim Housing Siting and Evaluation Guidelines and Process (interim siting guidelines) to assist the city in determining the locations of emergency interim housing units. According to staff, they use the interim siting guidelines to assess sites for their feasibility, viability, and practicality. The guidelines state that assessments should use criteria such as plot acreage, shape, gradation, city council district, and the potential for San José to own or control the land. However, it is unclear when the guidelines became effective and to whom they apply because the city council has not formally adopted them.

As Figure 10 shows, San José had approved the development of five sites (four additional sites and an expansion at one existing site) for interim housing as of October 2023, in addition to the nine it had already completed. It identified that two new sites will involve converted motels or hotels, and two will be other types of interim housing facilities. The expansion is of an existing emergency interim housing facility. Of these five facilities, one is located on land the city owns. After the completion of these housing projects, San José will have 13 interim housing facilities. The city stated that these facilities will have a total of more than 1,000 interim housing units, bringing it closer to its goal of 1,300 units. Nevertheless, five council districts will still lack interim housing facilities. In addition, San José identified seven potential additional sites that the council has approved for staff to consider.

When we attempted to evaluate the use of the city's interim housing beds, we found that San José does not regularly monitor this information. Consequently, it lacks complete and accurate information to assess whether the usage of its existing interim housing units and beds is efficient and whether more beds and units are needed. A month after our request, the city provided utilization data from HMIS for seven of the nine current interim housing sites. However, after doing so, the city noted problems with the data's accuracy. It explained that significant maintenance issues at one facility left multiple units unavailable for extended periods of time, for example. At another facility, the bed capacity was incorrectly listed in HMIS as less than half of its actual capacity, producing inaccurate utilization rates of more than 100 percent in the database. Although we could not verify the data because of the above-noted issues, they show that the other five interim housing facilities had utilization rates from 70 percent to 100 percent by the end of fiscal year 2022–23.

Figure 10
San José Has Identified Five Proposed Sites for Interim Housing



PROPOSED INTERIM HOUSING

DISTRICT	SITES	UNITS
①	–	–
②	2*	304
③	1	72
④	–	–
⑤	–	–
⑥	1	unknown
⑦	–	–
⑧	–	–
⑨	–	–
⑩	1	75

District boundary
Proposed interim housing site

Source: Analysis of San José's website and the city's confirmation of locations.

Note: This map does not include overnight warming locations because the locations of these interim housing facilities change each year.

* One of these sites in District 2 is a proposed expansion of an existing interim housing facility.

San Diego Has Taken Steps to Increase Its Interim Housing but Likely Does Not yet Have Adequate Shelter Capacity

In San Diego, the city's HSSD and housing commission oversee a system of city-funded interim housing sites. HSSD is mainly responsible for developing new interim housing sites and administering funding for interim housing services and operations. The housing commission, through a memorandum of understanding with the city, is mainly responsible for overseeing the operations of those interim housing sites. The text box lists the types of interim housing structures that the city uses.

Interim Housing Structures in San Diego

Sprung structure: A tent-like structure with multiple beds in a shared space.

Hotel/motel/apartment building: A repurposed building that provides individual units with one or more beds in each.

Brick and mortar: A building with multiple beds in a shared space.

Source: HSSD.

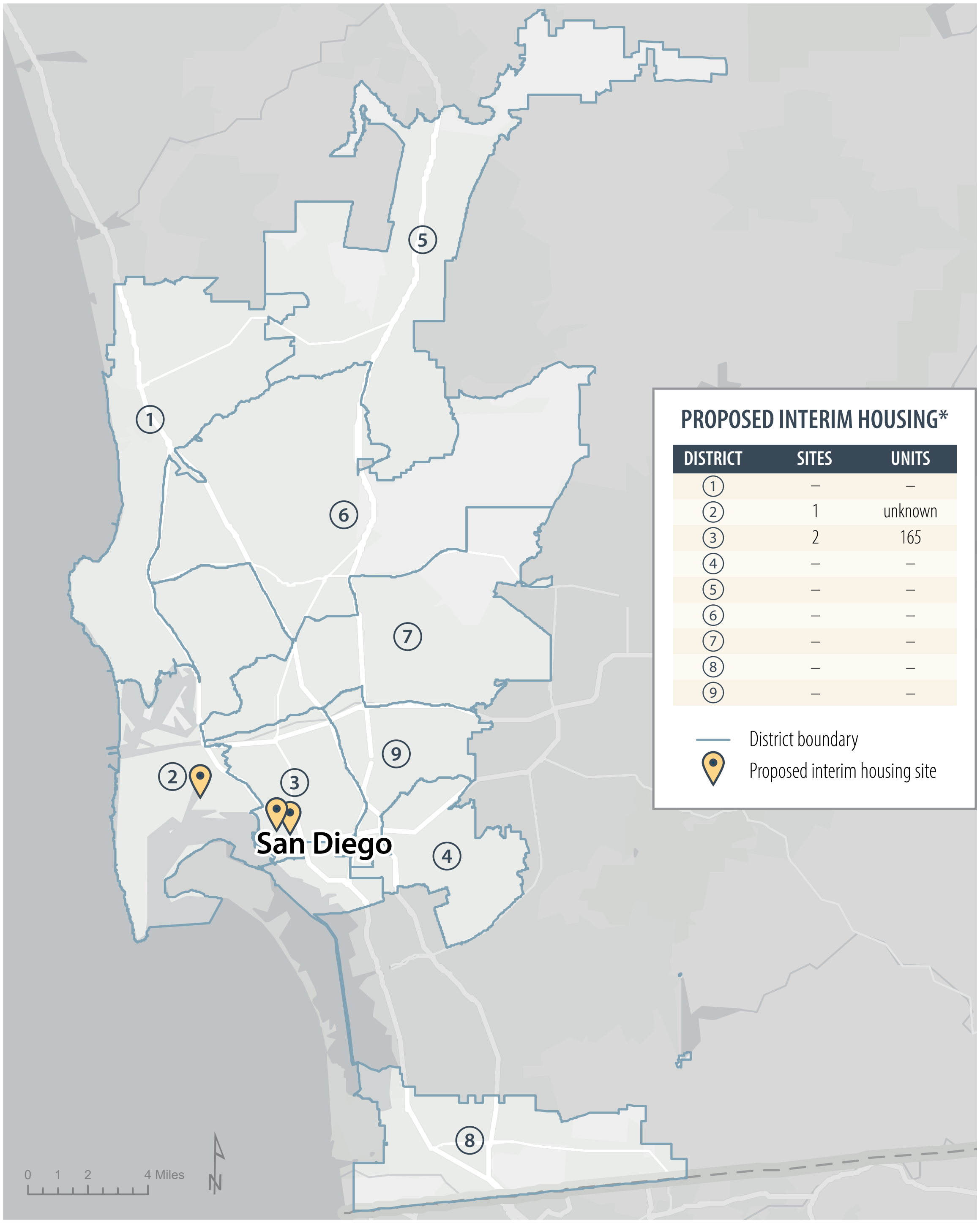
In June 2023, San Diego developed a Comprehensive Shelter Strategy (shelter strategy) for expanding its interim housing capacity, but that strategy is missing important details on shelter options and funding. The strategy identifies possible sites for expanding and increasing the city's interim housing capacity. However, it does not establish locations, timelines, or budgets for some of the sites. When we asked about this missing information, HSSD's director explained that the city may not necessarily build every site in the strategy. She explained that the department operates on a funding cycle of one fiscal year that is considered in decisions about which sites to pursue.

According to the city's website as of March 2024, the city was operating 17 interim housing sites that provided 1,856 beds. According to our analysis, the shelter strategy at its release in June 2023 proposed 10 new interim housing sites that, if completed, would provide over 900 additional interim housing beds. Data provided by the city show that as of September 2023, it had completed four of these sites, for a total of 263 additional beds. It is pursuing four additional proposed sites that, if completed, would provide at least 245 beds. Of the four proposed sites, the city owns or controls two sites, the housing commission owns one site, and one site has an undisclosed location to protect the safety of the population it serves.

As Figure 11 shows, these proposed sites are clustered in just two council districts, with two of the three sites in downtown San Diego. When we asked why the city's interim housing facilities are concentrated in downtown, HSSD explained that the city has located interim housing in the areas with the highest need and the highest concentrations of people experiencing unsheltered homelessness. According to the city's monthly count of individuals who are unsheltered, 1,939 people were experiencing unsheltered homelessness in downtown San Diego in January 2023. In comparison, San Diego's 2023 PIT count found that 3,285 people were experiencing unsheltered homelessness citywide. These numbers support San Diego's assertion that the majority—59 percent—of the people in the city who are experiencing unsheltered homelessness are located downtown.

San Diego's shelter strategy proposes sites that target the needs of specific groups of people. The shelter strategy compares the composition, such as gender and veteran status, of the city's unsheltered population to the respective percentage of city-funded shelter beds. The plan includes options to develop interim housing for groups who are underserved in

Figure 11
San Diego Has Identified Four Proposed Sites for Interim Housing


①
②
③
④
⑤
⑥
⑦
⑧
⑨
San Diego
0 1 2 4 Miles
N
District boundary
Proposed interim housing site

PROPOSED INTERIM HOUSING*

DISTRICT	SITES	UNITS
①	–	–
②	1	unknown
③	2	165
④	–	–
⑤	–	–
⑥	–	–
⑦	–	–
⑧	–	–
⑨	–	–

Source: San Diego's shelter strategy and HSSD.

* One interim housing site location with 80 units is not displayed for safety reasons.

the current shelter landscape, such as youth and survivors of domestic violence. For example, the city is in the process of opening a site for survivors of domestic violence.

At emergency shelters—one type of interim housing—the housing commission implemented a coordinated intake process beginning in 2021. The intent of this process is to help facilitate shelter utilization analysis and to match people to shelters that best meet their needs. For example, the intake coordinators can determine which shelters are able to accommodate a person with mobility issues or health conditions who needs a specific bed, such as a bottom bunk. The housing commission believes that this process improves data collection and allows the housing commission to better monitor shelter usage and placements. The housing commission noted that it is currently developing ways to measure and quantify the benefits and impact of the coordinated intake process but is unable to provide evidence of these benefits at this time.

Nonetheless, San Diego does not complete the vast majority of its referrals of people experiencing unsheltered homelessness to the emergency shelters included in the coordinated intake process because San Diego lacks available beds. The housing commission provided us with a selection of data that included one daily report per month showing utilization rates and one weekly report per month of referral data. These data indicate that San Diego's shelter utilization rates have increased as its referral completion rate has decreased, as Figure 12 shows. These utilization and referral completion rates suggest that San Diego's shelters consistently operate at or near full capacity and that the city does not have enough shelter capacity for people experiencing unsheltered homelessness.

Neither San José nor San Diego Has a Clear, Long-Term Plan for Meeting Its Need for Permanent Supportive Housing

Types of Permanent Housing

Rapid rehousing: Housing relocation and stabilization services and short- or medium-term rental assistance as necessary to help an individual or family experiencing homelessness move as quickly as possible into permanent housing and achieve stability in that housing.

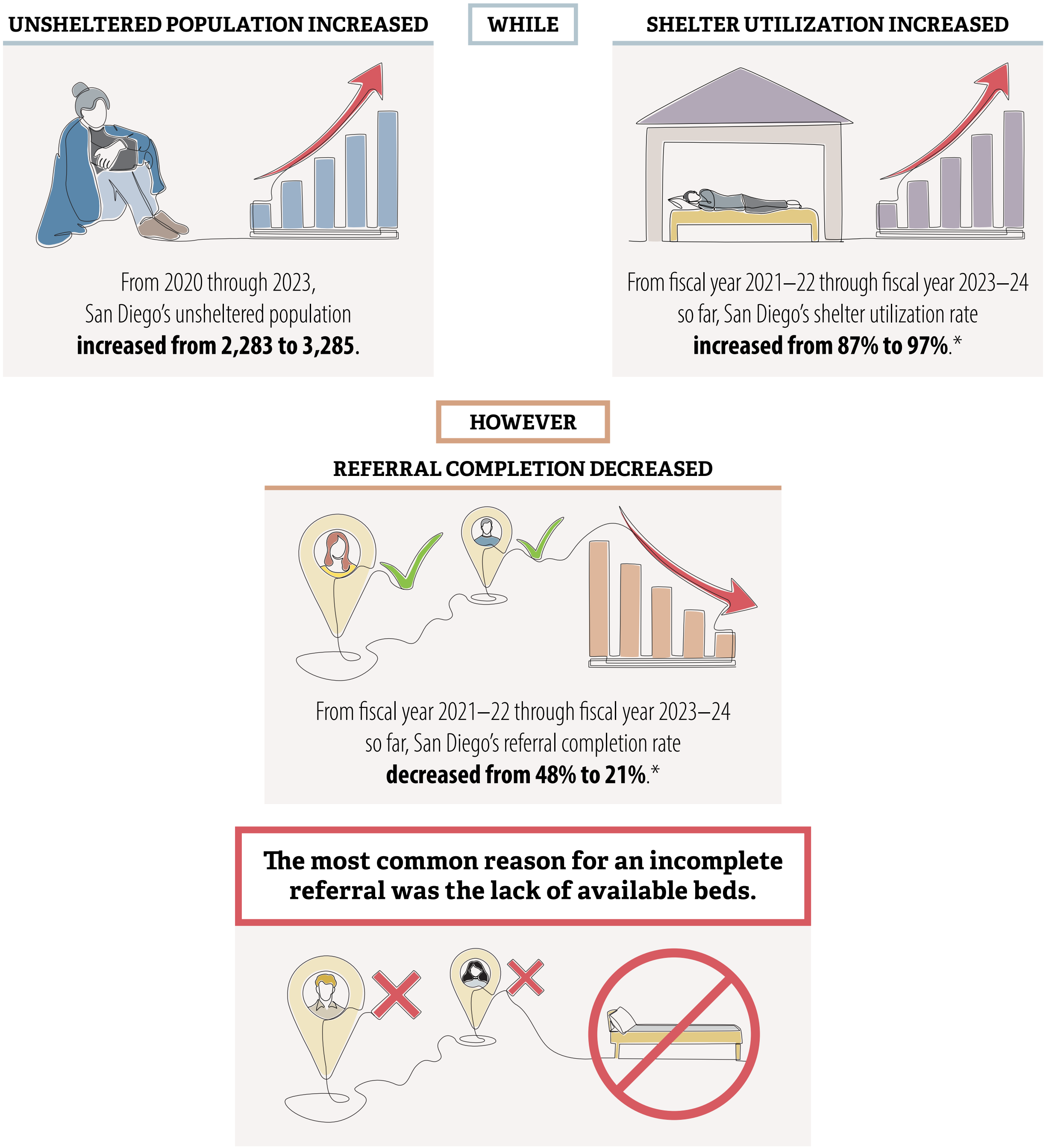
Permanent supportive housing: Permanent housing in which supportive services are provided to assist individuals with a disability who are experiencing homelessness to live independently.

Other permanent housing: Includes permanent housing with supportive services for individuals experiencing homelessness who do not have a disability and permanent housing without supportive services.

Source: Federal law.

As we previously discuss, permanent housing placements are critical to ensuring that individuals do not return to unsheltered homelessness. HUD defines the different types of permanent housing options available to people experiencing homelessness, which the text box describes. Both San José and San Diego have focused their recent efforts to address homelessness on the provision of permanent supportive housing. Permanent supportive housing is a type of community-based permanent housing that does not include a designated length of stay and that provides supportive services to people experiencing homelessness who also have a disability. Although San José has taken a number of steps to further the development of such housing, it has yet to set a target for the number of permanent supportive units it needs. Consequently, it is difficult to measure the city's progress. In contrast, San Diego has established such a target; however, it does not have a long-term plan for achieving its goal.

Figure 12
San Diego Does Not Have Enough Shelter Beds for Its Unsheltered Population



UNSHELTERED POPULATION INCREASED

From 2020 through 2023,
San Diego's unsheltered population
increased from 2,283 to 3,285.

WHILE

SHELTER UTILIZATION INCREASED

From fiscal year 2021–22 through fiscal year 2023–24
so far, San Diego's shelter utilization rate
increased from 87% to 97%.*

HOWEVER

REFERRAL COMPLETION DECREASED

From fiscal year 2021–22 through fiscal year 2023–24
so far, San Diego's referral completion rate
decreased from 48% to 21%.*

The most common reason for an incomplete referral was the lack of available beds.

Source: Housing commission data and PIT counts.

* These data only represent the utilization and referral rates related to shelters using the coordinated entry process and overseen by the housing commission.

San José Has Incentivized the Development of Permanent Supportive Housing but Has Not Identified the Number of Units It Needs

San José has identified the development of permanent supportive housing as its primary goal for housing for people experiencing homelessness. However, the city has not identified a specific target for the number of permanent supportive housing units it plans to develop to help meet this need. Although the city is making some progress toward increasing its permanent supportive housing units, determining the adequacy of its progress will be difficult until it identifies such a target.

To help fund the construction of permanent supportive housing, San José generally provides loans to developers who are working on affordable housing projects.[10] To help create affordable housing, the city publishes funding notices to alert developers to the availability of city funding for gap financing—which fills a funding gap to make a project feasible—for projects with affordable housing restrictions.[11] The city also develops requests for proposals to alert developers when it has land available on which it would like to develop affordable housing. For both processes, the city establishes a scoring system to evaluate the project or proposal submissions. These scoring systems have at times awarded additional points to project applications that include the development of permanent supportive housing units.

In December 2021, San José took two major steps toward increasing its permanent supportive housing. First, it issued a funding notice that made $150 million available to developers for gap financing. This $150 million consisted of both federal and local funding, including Measure E funds. Following the notice, the city selected 11 affordable housing developments for consideration for the funding. When informing the city council of its selections in May 2022, San José indicated that all 11 projects proposed to include permanent supportive housing, for a total of 448 units. San José did not retain all of its documentation of its application evaluation process, so it is unclear how it arrived at the score for each development. The city council has since approved funding for seven developments that will include a total of 64 permanent supportive housing units and 186 rapid rehousing units.

In December 2021, San José also issued a request for proposals to build housing developments on city-owned sites. Of the four proposals that it selected to submit to the city council, one indicated that it would include 49 permanent supportive housing units. When we reviewed the system the city used to score proposals it received, we found that the system did not specifically include an incentive for permanent supportive housing units. However, the city indicated that if the developers later request funding through a city funding notice, the permanent supportive housing incentive in the funding notice would apply.

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[10] San José does not fund the supportive services that this type of housing provides; rather, the county funds these services.

[11] In the December 2021 funding notice we discuss in this section, these affordable housing restrictions required that units be restricted to no more than affordable rent for lower-income households (individuals and families having extremely low income, very low income, and low income) and that developers must prioritize 45 percent of all funding resulting from the funding notice for extremely low income housing. These affordability restrictions carry a 55-year minimum term and survive the payoff of any city loans.

To influence the location of affordable housing developments, which may include permanent supportive housing units, San José adopted an Affordable Housing Siting Policy (siting policy) in December 2022. The siting policy directs the city to work toward increasing affordable housing access in neighborhoods with higher resources, as delineated in a state Opportunity Map.[12] San José had difficulty providing us with accurate data about its permanent housing. Nevertheless, the data it did provide show that since January 2020, it has proposed and approved funding for 10 affordable housing developments that are not yet completed. These 10 developments have a combined total of 219 proposed permanent supportive housing units and 242 proposed rapid rehousing units. However, none of the 10 developments were subject to the siting policy because they were selected before the policy's adoption. As Figure 13 shows, the majority of these 10 sites are clustered in two council districts. The city indicated that it does not own or control any of the 10 approved sites.

When we asked San José about its plans for funding additional permanent supportive housing units in the future, the city provided a list of seven potential developments that include proposed permanent supportive housing units. However, it offered no details about how, when, or whether it would pursue funding these developments.

San Diego Lacks a Long-Term Plan for Meeting Its Need for Permanent Supportive Housing

Like San José, San Diego has focused its efforts on building permanent supportive housing. However, the city does not currently have enough proposed permanent supportive housing sites to meet its identified need. As we previously discuss, San Diego's city council passed a city action plan in 2019 that identified the number of interim and permanent housing units it would need to build over the following 10 years to prevent and end homelessness. In 2023 San Diego updated these numbers to reflect changes in data, trends, and available resources. The updated city action plan shows that San Diego will need a total of 465 to 920 new interim housing beds and 3,520 new permanent supportive housing units by 2029.

San Diego's process for increasing permanent supportive housing involves providing loans to developers that are working on affordable housing projects. Since fiscal year 2020–21, the city housing commission and the city's Economic Development Department (development department) have used funding notices to award over $51 million in loans to finance affordable housing projects that include permanent supportive housing units. Over $21 million of this amount is dedicated specifically for the development of those permanent supportive housing units.[13] When we selected five of the projects for review, we found that the housing commission and development department had scored and selected them according to the criteria established in the funding notices.

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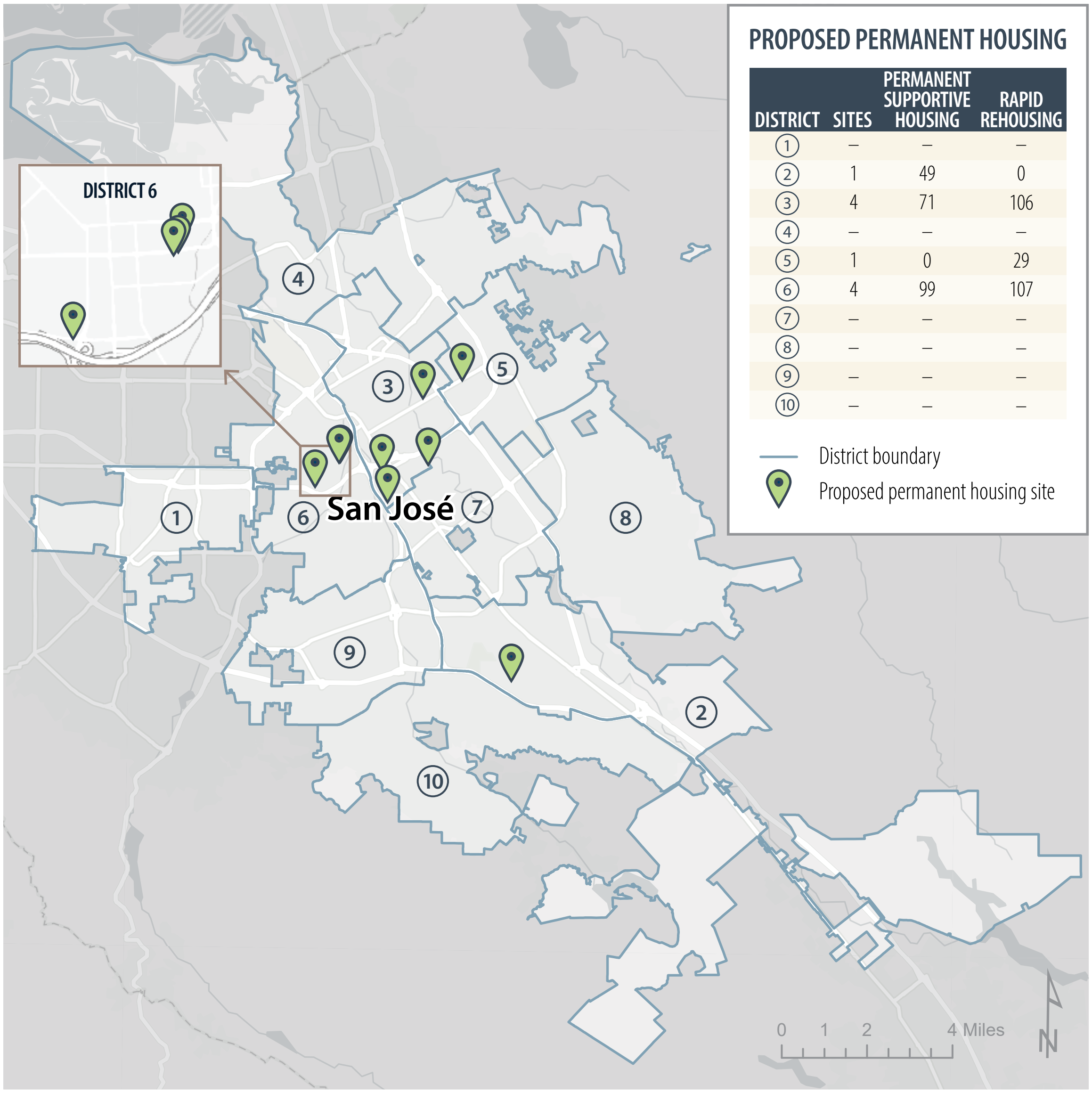
[12] The California Tax Credit Allocation Committee/Housing and Community Development Opportunity Map identifies areas in every region of the State that have characteristics that research has shown to be most strongly associated with positive economic, educational, and health outcomes for low-income families when compared to other neighborhoods in the same region.

[13] To calculate the amount of funding dedicated to permanent supportive housing units, we determined how much funding was awarded to a project that included permanent supportive housing units, the number of affordable housing units in the project, and the number of permanent supportive housing units in the project. We took the total amount of funding awarded to the projects and divided it by the number of affordable units to get a per-unit amount. We then multiplied the per-unit amount by the number of permanent supportive housing units to get the total funding for permanent supportive housing units for the project. We then added the total funding for permanent supportive housing units for all the projects.

Figure 13
San José's Proposed Permanent Housing Sites Are in a Limited Number of Council Districts


DISTRICT 6
④
③
⑤
①
⑥
San José
⑦
⑧
⑨
②
⑩
0 1 2 4 Miles
N
District boundary
Proposed permanent housing site

PROPOSED PERMANENT HOUSING

DISTRICT	SITES	PERMANENT SUPPORTIVE HOUSING	RAPID REHOUSING
①	–	–	–
②	1	49	0
③	4	71	106
④	–	–	–
⑤	1	0	29
⑥	4	99	107
⑦	–	–	–
⑧	–	–	–
⑨	–	–	–
⑩	–	–	–

Source: Analysis of San José's website and the city's confirmation of locations.

San Diego's 18 currently proposed permanent supportive housing sites are clustered in a few city council districts, as Figure 14 shows. These sites include a total of 874 proposed permanent supportive housing units. Of the 18 proposed sites, the city owns or controls one, the county owns three, and the housing commission is seeking to purchase four. The remaining sites are owned by other entities, some of which are the developers of the projects.

As we previously explain, San Diego developed the shelter strategy in June 2023 to expand its interim housing for people experiencing homelessness. However, the city lacks a similar plan that specifies how it will meet its identified need for permanent housing for people experiencing homelessness. The city does not have a plan to build the remaining units it needs and has not identified potential sites for those units. San Diego's planning department explained it is in the process of developing a review of city-owned property to identify sites that might be suitable for permanent housing development. This review could be an important component of the city's efforts to meet its permanent housing needs, but it is too early to determine its efficacy.

In the absence of a clear plan, it remains uncertain whether San Diego will be able to meet its permanent supportive housing goals. After the completion of its current proposed sites, the city would need to work with developers to complete an average of 441 permanent supportive housing units per year to achieve its goal of 3,520 units by 2029.[14] When asked whether it will be able to fund and develop the 3,520 units, the housing commission explained that its progress in developing permanent supportive housing is reliant on federal and state resources, such as federal housing vouchers and state Homekey funds, and that these resources are limited. The housing commission indicated that the city will not be able to achieve the 3,520 units without additional resources from the federal and state government.

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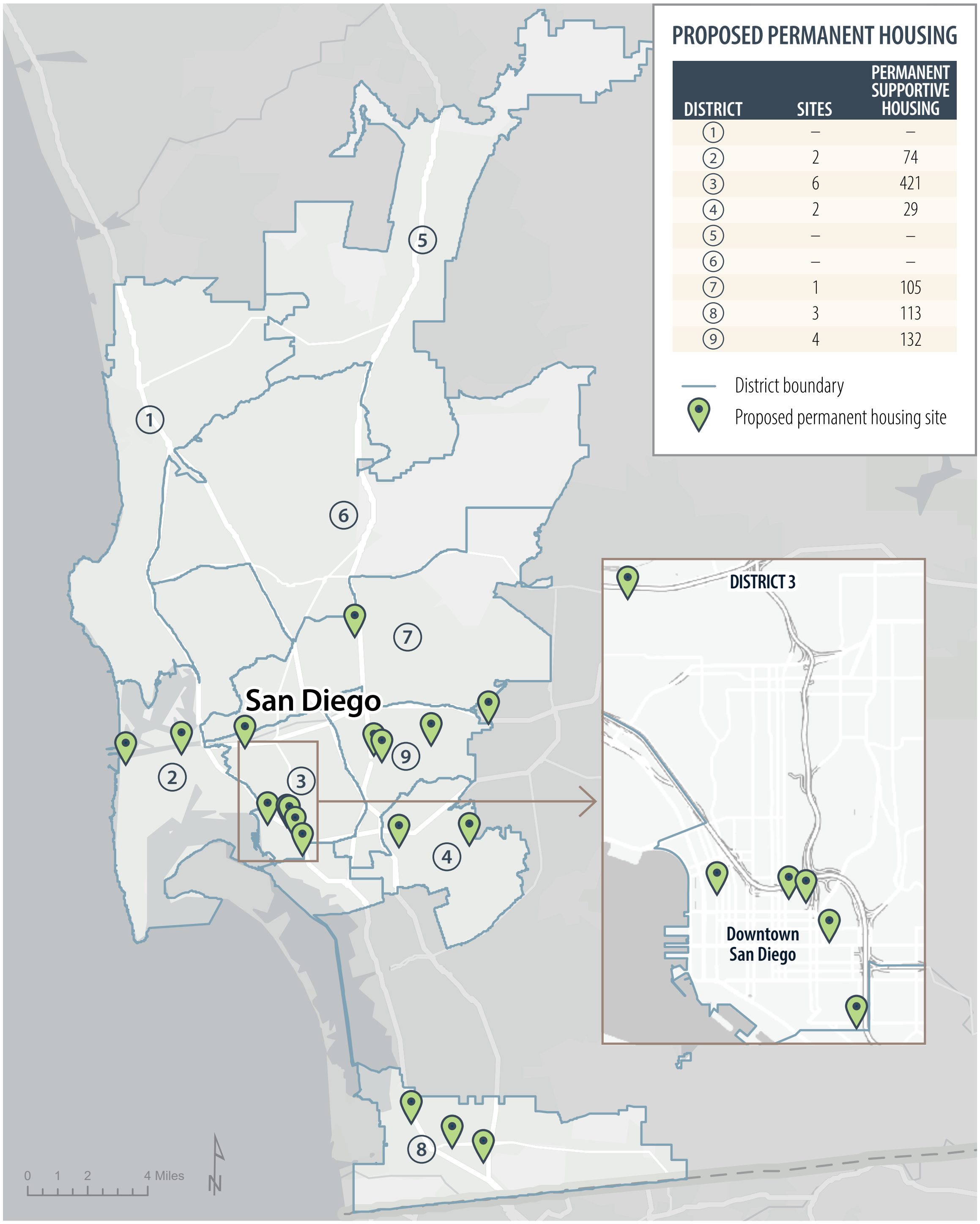
[14] The housing commission explained that since the release of the 2023 update to the city action plan, one site has been completed with 64 permanent supportive housing units.

Figure 14
San Diego's Proposed Permanent Housing Sites Are in Six of Its Nine City Council Districts


San Diego
①
②
③
④
⑤
⑥
⑦
⑧
⑨
DISTRICT 3
Downtown San Diego
0 1 2 4 Miles
N

PROPOSED PERMANENT HOUSING

DISTRICT	SITES	PERMANENT SUPPORTIVE HOUSING
①	–	–
②	2	74
③	6	421
④	2	29
⑤	–	–
⑥	–	–
⑦	1	105
⑧	3	113
⑨	4	132

— District boundary

📍 Proposed permanent housing site

Source: The housing commission and the city's economic development department data.

Other Areas We Reviewed

To address the audit objectives approved by the Joint Legislative Audit Committee (Audit Committee), we also reviewed the unsheltered homelessness rates for San José's and San Diego's different demographic groups, the cities' costs related to administering homelessness services, and the length of time it took cities to award state funding for homelessness services.

In Both San José and San Diego, Some Demographic Groups Experience Unsheltered Homelessness at Higher Rates than Others

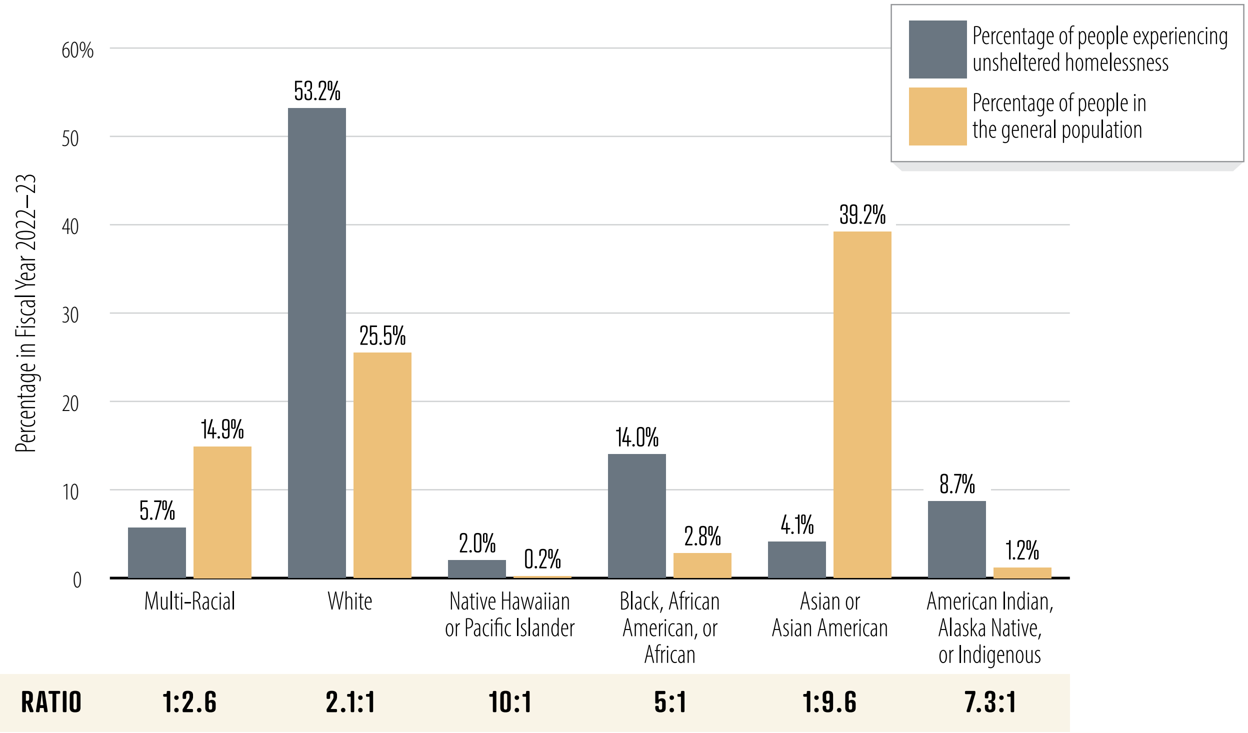
The various demographic groups in San José and San Diego experience different rates of unsheltered homelessness. Similar to national trends, American Indian or Alaska Native and Black or African American people are overrepresented among the people experiencing unsheltered homelessness in both cities. San Diego has taken some actions to provide targeted homelessness services and housing to demographic groups that disproportionately experience unsheltered homelessness, but San José has not taken such actions.

In San José, Certain Demographic Groups Have Experienced Disparities in Access to Some Homelessness Services

To improve the transparency of its homelessness programs and funding, San José started using a public dashboard in 2023 that displays some information about these programs, including the number of people sheltered in interim housing. However, the city's dashboard does not present demographic information, such as race, gender, and age. Similarly, San José's annual homelessness reports do not include the demographic information of people that the city has served through its homelessness programs. City staff acknowledged the lack of demographic information and indicated that future versions of the dashboard may contain such information.

By better tracking of demographic information, San José could evaluate service delivery to different demographic groups. In fact, our review found that some demographic groups are overrepresented among people experiencing unsheltered homelessness. For example, the HMIS data that Santa Clara County provided us show that from fiscal years 2020–21 to 2022–23, American Indian or Alaska Native and Black or African American people have been overrepresented among the people experiencing unsheltered homelessness in San José. Compared to San José's general population, Black or African American people are about five times more likely to be unsheltered and American Indian or Alaska Native people are about seven times more likely to be unsheltered, as Figure 15 shows.

Figure 15
In San José, Certain Demographic Groups Experience Higher Rates of Unsheltered Homelessness



Source: HMIS and the U.S. Census.

Notes: The exclusion of respondents in the demographic category *Other* prevents percentages from totaling 100.

Ratios are rounded to the nearest tenth.

Some groups in San José also experienced disparities in accessing services. HMIS data that Santa Clara County provided us for fiscal years 2020–21 through 2022–23 show that American Indian or Alaska Native people and Black or African American people were underserved in certain housing and homelessness services. For example, in fiscal year 2022–23, Black or African American people comprised 14 percent of the population experiencing unsheltered homelessness but only 2 percent of the recipients of permanent housing services when no disability was required for entry. Similarly, in fiscal year 2022–23, American Indian or Alaska Native people comprised nearly 9 percent of those experiencing unsheltered homelessness but only 3.5 percent of those receiving homelessness prevention services.

San José staff stated that the city recently started implementing some equity-focused practices through its request for proposals process. For example, the department's fiscal year 2023–24 request for proposals for organizations to provide services for homeless and at-risk youth scores an applicant's ability to provide culturally competent and equitable services. It awards up to 15 points for that element of the proposal on a 100-point scale.

We observed more positive outcomes in some cases when San José tailored programs for specific demographic groups, such as families. For example, San José awarded a grant to a nonprofit service provider to provide rent subsidies and services to prevent families from becoming homeless. In its annual homelessness report to the city council for fiscal year 2020–21, San José reported that the program assisted 1,925 families, including 2,759 children. Further, our review of HMIS data found that from fiscal years 2020–21 through 2022–23, children received the largest portion of homelessness prevention and rapid rehousing services and that no children under 18 in the system remained unsheltered during those years. San José's efforts and results for this group contrast to the disparities we identified related to demographic groups characterized by race.

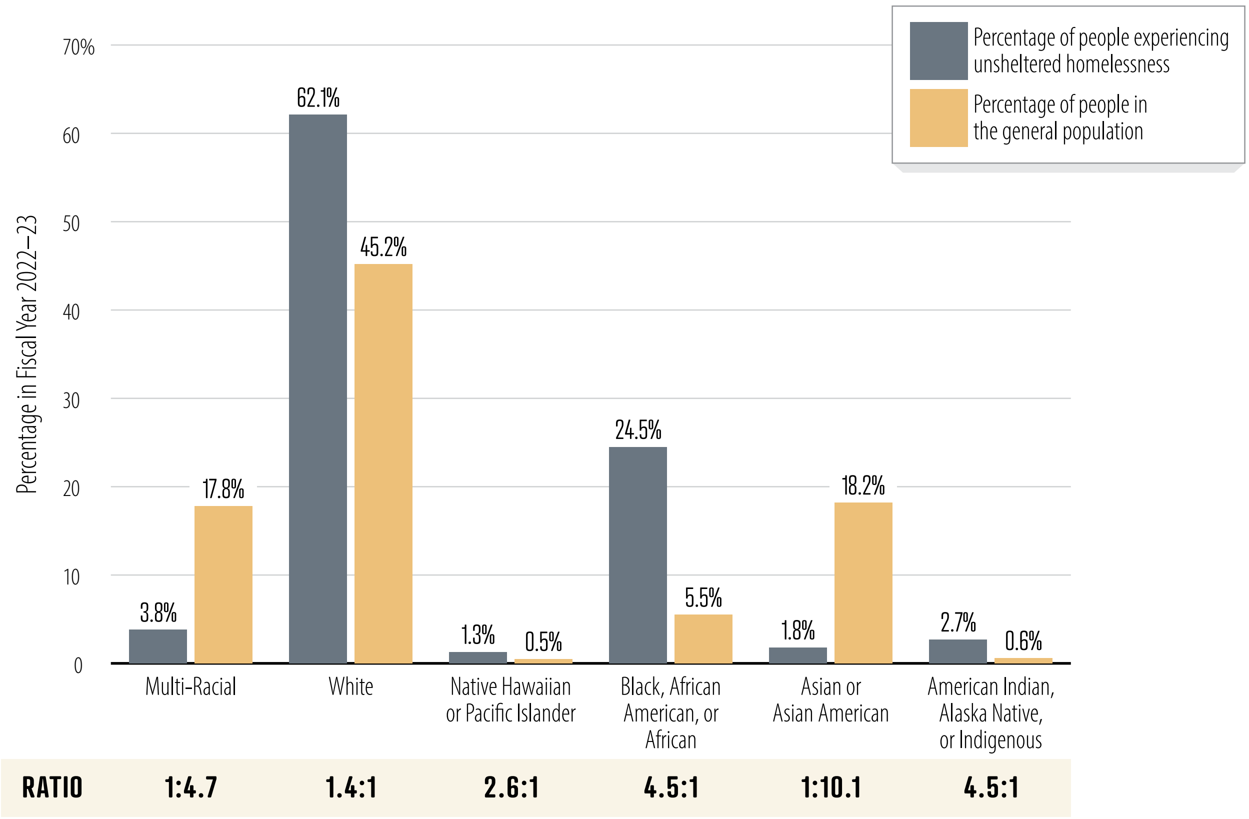
San Diego Has Taken Steps to Ensure Equity in Its Provision of Services

San Diego's tracking and reviewing of the demographic information of people experiencing homelessness may have helped it to increase the equity of the actions it takes to address homelessness. Specifically, the housing commission tracks the demographic information of people accessing homelessness programs funded by the city and by the housing commission. The city then collaborates with the housing commission to track the effects of its homelessness actions on different demographic groups, and it uses the data to plan its future actions. The demographic breakdowns allow the city to identify disparities among different segments of people experiencing unsheltered homelessness and take actions to decrease those disparities.

Although certain groups continue to be overrepresented among people experiencing unsheltered homelessness in San Diego, our review of the CoC's HMIS data from fiscal years 2020–21 through 2022–23 did not reveal any racial disparities in access to homelessness services. In fiscal year 2022–23, American Indian or Alaska Native people and Black or African American people were significantly overrepresented among those experiencing unsheltered homelessness in San Diego, as Figure 16 shows. However, these groups proportionally received housing and homelessness services. For example, the HMIS data showed that in fiscal year 2022–23, about 24 percent of people experiencing unsheltered homelessness were Black or African American. In that same fiscal year, about 29 percent of permanent supportive housing recipients were Black or African American, as were 38 percent of rapid rehousing recipients, 27 percent of transitional housing recipients, and 27 percent of homelessness services recipients.

San Diego has tailored programs for certain groups to help ensure equity. In 2020 the CoC approved the creation of the Ad Hoc Committee on Addressing Homelessness Among Black San Diegans to explore the factors contributing to Black people experiencing homelessness and to develop recommendations to better address disparities. In line with the San Diego County's Ad Hoc Committee's recommendations, in 2024 the city plans to fully implement a new program tailored to Black San Diegans experiencing unsheltered homelessness. The program has a goal to place individuals living in a specific encampment into permanent housing services, and the city is funding it through the State's Encampment Resolution Funding program. San Diego reported that half of the people in the targeted encampment identify as Black, Indigenous, or people of color. Tailoring programs to address the needs of specific demographic groups could potentially allow cities to reduce inequity by helping people in those groups exit homelessness.

Figure 16
In San Diego, Certain Demographic Groups Experience Higher Rates of Unsheltered Homelessness



Source: HMIS and the U.S. Census.

Notes: The exclusion of respondents in the demographic category *Other* prevents percentages from totaling 100.

Ratios are rounded to the nearest tenth.

Both San José's and San Diego's Staffing and Administrative Costs Appear Reasonable

We reviewed the amounts of local funds that the cities identified as operational costs of administering homelessness programs, as Table 8 shows. The cities incurred most of these costs for programs related to housing strategies and homelessness prevention—for example, programs that provide rental assistance or finance interim housing. The remainder of operational costs related to programs involving encampments.

Table 8
Both Cities' Operational Costs Paid With Local Funding Were Mostly for Housing and Homelessness Prevention

	FISCAL YEAR		
CITY AND EFFORT TO ADDRESS HOMELESSNESS	2020–21	2021–22	2022–23
San José			
Abate, manage, and clean up homeless encampments	$919,000	$949,000	$13,675,000
Housing and homelessness prevention	14,670,000	20,954,000	45,422,000
San Diego			
Abate, manage, and clean up homeless encampments	6,721,000	6,921,000	7,059,000
Housing and homelessness prevention	33,416,000	10,203,000	23,376,000

Source: Cities' financial data.

Note: Costs are rounded to the nearest thousandth.

We did not identify any instances in the expenditure data the cities provided in which San José or San Diego exceeded state or federal funding limits for administrative purposes. Specifically, grant programs generally establish limits for the percentage of these funds that can be used on administration. When we reviewed expenditures that the cities made from state and federal homelessness funding sources, we did not identify any spending related to administration or overhead that exceeded allowable limits. Further, although we could not validate the accuracy and completeness for the reasons stated earlier in the report, we reviewed financial records provided by the cities and we did not find any instances in which the cities' financial records identified inappropriate uses of homelessness funds on city administration, including on city facilities or on allocations to the city manager, city council, mayor, or staff.

Although staff from multiple departments in each city are involved in efforts to address homelessness, the cities dedicate few staff members to performing this work full-time. As Table 9 shows, the cities have budgeted positions that are focused entirely on addressing homelessness. However, the cities also have other staff who work on homelessness issues but whose positions are not specifically budgeted for this purpose. For example, both cities have staff who perform work abating encampments, but they may have budgeted those same positions for other responsibilities as well.

The Cities' Processes for Awarding State Funds Generally Took Several Months

We reviewed the time the cities took to encumber state funding through agreements with service providers after receiving it from the State. Specifically, we evaluated documents that showed when the cities received funding from the State, as well as data from the cities' financial systems that showed when the cities encumbered the funds to service providers. We found that the cities took from six weeks to seven and a half months to encumber these funds. Both cities explained that identifying service providers and entering into agreements can take several months and that the timing is dependent on a variety of factors, such as the type of service needed and the availability of providers.

Table 9
Both Cities Have Few Budgeted Positions That Solely Work to Address Homelessness

FULL-TIME EQUIVALENT (FTE) STAFF POSITIONS	FISCAL YEAR 2020–21	FISCAL YEAR 2021–22	FISCAL YEAR 2022–23
San José*			
Homelessness FTE	11.00	10.25	13.00
Total FTE	6,592.21	6,646.54	6,884.09
San Diego*†			
Homelessness FTE	23.15	27.15	32.15
Total FTE	11,726.93	11,943.71	12,777.15

Source: Cities' adopted budgets and financial management reports.

* The cities' financial reporting does not identify counts of staff for certain specific work related to homelessness, such as those engaged in work abating encampments. The table therefore does not include all city staff who do this work, such as those working as part of BeautifySJ in San José.

† San Diego's housing commission has budgeted positions in which staff work full time on addressing homelessness; however, not all of that time is spent working directly on activities that are part of the housing commission's agreements with the city, so those positions are not included in this table.

Recommendations

The following are the recommendations we made as a result of our audit. Descriptions of the findings and conclusions that led to these recommendations can be found in the sections of this report.

San José

To ensure the effectiveness of its actions to prevent and end homelessness, San José should, by September 2024, finalize the annual goals in its city implementation plan on homelessness. The city should then follow its planned schedule for updating its implementation plan goals and for publicly reporting each fall on its progress toward meeting each goal.

To promote transparency, accountability, and effective decision-making, San José should, by September 2024, publicly report in a single location, such as a spending plan, all of the federal and state funding it receives, as well as the local funding it allocates for reducing homelessness, including Measure E funding. It should also regularly monitor the amount of its unspent funding to ensure that it complies with any future spending deadlines and can adequately explain to the public the anticipated timing of its future spending.

To ensure that it effectively and transparently spends its funding to prevent and end homelessness, San José should do the following:

- Ensure that when it renews or enters into new agreements with service providers, it establishes clearly defined performance measures.

- Require that beginning by September 2024, staff at least annually document an overall performance review and assessment of the effectiveness of each service provider based on the performance measures in the agreement and other expectations that San José has set.

To better assist people experiencing unsheltered homelessness, San José should, by September 2024, develop performance measures to evaluate the effects of the city's public health and safety programs related to unsheltered homelessness listed in Table 6 on page 32. An example of such a performance measure is a reduction in the number of public health incidents occurring at encampments. San José should publicly report on the effects of its actions in its annual homelessness report.

To ensure that it equitably provides homelessness services to all demographics, San José should immediately begin requesting monthly citywide demographic data from the county of Santa Clara to determine which demographic groups are overrepresented among people who are experiencing homelessness and which groups are underserved by specific program types. San José should take actions as needed to address demographic disparities, such as performing additional outreach or other appropriate actions to meet the needs of underserved groups.

By September 2024, San José should develop goals for contributing to the building of permanent housing for people experiencing homelessness that align with its implementation plan for meeting the goals of its CoC's action plan. By the same date, the city should also formally adopt a policy for identifying and approving suitable locations for interim housing. In addition, it should develop plans for meeting its goal of having one interim housing facility in each city council district, likely by pursuing the construction of interim housing at the additional locations it has already identified.

San José should immediately begin monitoring the utilization data from its interim housing facilities and ensure that the data are complete and accurate. The city should take necessary action to remedy any issues it identifies.

San Diego

To promote transparency, accountability, and effective decision-making, San Diego should, by September 2024, publicly report in a single location, such as a spending plan, all of the federal and state funding it receives and the local funding it allocates for reducing homelessness. It should also regularly monitor the amount of its unspent funding to ensure that it complies with any future spending deadlines and can adequately explain to the public the anticipated timing of its future spending.

To ensure that it effectively and transparently spends its funding to prevent and end homelessness, the city should do the following:

- Ensure that when it renews or enters into new agreements with service providers, it establishes clearly defined performance measures.
- Require that beginning by September 2024, staff at least annually document an overall performance review and assessment of the effectiveness of each service provider based on the performance measures in the agreement and other expectations that San Diego has set.

To better assist people experiencing unsheltered homelessness, San Diego should, by September 2024, develop performance measures to evaluate the effects of the city's public health and safety programs related to unsheltered homelessness listed in Table 7 on page 35. An example of such a performance measure is a reduction in the number of public health incidents occurring at encampments. San Diego should publicly report on the effects of its actions.

By September 2024, San Diego should develop plans for siting and building the permanent housing it has identified that it needs for people experiencing homelessness. The plans should specify the amount of funding necessary to build the housing, as well as possible funding sources.

We conducted this performance audit in accordance with generally accepted government auditing standards and under the authority vested in the California State Auditor by section 8543 et seq. of the California Government Code. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,

Grant Parks

GRANT PARKS
California State Auditor

April 9, 2024

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Appendix A

Funding Sources and Eligible Uses

San José and San Diego have each received funding to address homelessness from a number of federal and state sources. Table A below lists these sources and their eligible uses. The table also describes in general terms how each of the cities reported having used the funds.

Table A
Funding Sources and Eligible Uses

		ACTUAL USES	
FUNDING SOURCE	ELIGIBLE USES	SAN JOSÉ	SAN DIEGO
FEDERAL			
Community Development Block Grant (CDBG)	Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements including shelters for people experiencing homelessness.	• Neighborhood infrastructure improvements • Contractual community services • Emergency housing vouchers • Rental support case management	• Interim Housing, Day Center, Family Shelter, Homelessness Response Center, Serving Seniors, Jewish Family Services
Community Development Block Grant—CARES Act (CDBG-CV)	Same as under the CDBG program, but all activities must be used to prevent, prepare for, and respond to the COVID-19 pandemic.	• Meal delivery program • Emergency motel voucher program • Legal services program	• Jewish Family Services program • Operation Shelter to Home • Serving Seniors
Emergency Solutions Grant (ESG)	• Renovation, major rehabilitation, or conversion of buildings to be used as emergency shelters. • Provision of essential services related to emergency shelters or street outreach. • Maintenance, operation, insurance, utilities, and furnishings related to emergency shelters. • Provision of rental assistance to provide short- or medium-term housing to individuals or families at risk of or experiencing homelessness. • Housing relocation or stabilization services for individuals or families at risk of or experiencing homelessness.	• Homeless outreach • HMIS support	• Shelter, Rapid Rehousing
Emergency Solutions Grant—CARES Act (ESG-CV)	• Prevent, prepare for, and respond to the COVID-19 pandemic among individuals and families who are homeless or receiving homeless assistance. • Support additional homeless assistance and homelessness prevention activities under the Emergency Solutions Grants program to mitigate the impacts of the COVID-19 pandemic.	Emergency shelters	• Homelessness prevention • Housing recovery
Home Investment Partnerships Program—American Rescue Plan (HOME ARP)	• Production or preservation of affordable housing. • Tenant-based rental assistance (TBRA). • Supportive services, including those defined in federal law, homeless prevention services, and housing counseling. • Purchase and development of noncongregate shelter.	Not applicable	Not applicable

continued on next page . . .

		ACTUAL USES	
FUNDING SOURCE	**ELIGIBLE USES**	**SAN JOSÉ**	**SAN DIEGO**
STATE			
Encampment Resolution Funding Program (ERF)	• Ensure the safety and wellness of people experiencing homelessness in encampments. • Resolve critical encampment concerns and transition individuals into safe and stable housing. • Encourage a data-informed, coordinated approach to address encampment concerns.	• Safe encampment resolution • Evacuee transition facilities	Not applicable
Homeless Emergency Aid Program (HEAP)	Addressing homelessness, including prevention, criminal justice diversion programs individuals experiencing homelessness and mental health needs, and emergency aid.	• Crisis response interventions • Homelessness prevention system	• Capital improvements • Rental assistance • Outreach • Safe Parking • Youth Focus • Diversion
Homeless Housing, Assistance, and Prevention Program (HHAP)	• Rental assistance and rapid rehousing. • Operating subsidies in new and existing units. • Landlord incentives. • Outreach and coordination. • Support for homeless services and housing delivery systems. • Delivery of permanent housing and innovative housing solutions. • Prevention and shelter diversion to permanent housing. • New navigation centers and emergency shelters.	• Emergency shelters • Homeless youth • Homelessness prevention system • Homelessness outreach • Case management	• Diversion, shelter operations, outreach coordination, family reunification program, safe parking program, rapid rehousing, landlord engagement, storage program, youth services programs, Safe Haven program, women's shelter.

		ACTUAL USES	
FUNDING SOURCE	**ELIGIBLE USES**	**SAN JOSÉ**	**SAN DIEGO**
Permanent Local Housing Allocation Program	• Predevelopment, development, acquisition, rehabilitation, preservation, and necessary operating subsidies for multifamily, residential live-work, or rental housing that is affordable to households with extremely low income to those with moderate income. • Affordable rental and ownership housing for people earning up to 120 percent of area median income or 150 percent of area median income in high-cost areas. • Matching portions of funds placed into local or regional housing trust funds. • Matching portions of funds available through the Low and Moderate Income Housing Asset Fund pursuant to state law. • Capitalized reserves for services related to the creation of new permanent supportive housing, including developments funded through the Veterans Housing and Homelessness Prevention Bond Act of 2014. • Assisting people who are at risk of or experiencing homelessness by providing rapid rehousing, rental assistance, navigation centers, emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing. • Accessibility modifications. • Efforts to acquire and rehabilitate foreclosed or vacant homes. • Homeownership opportunities, including, but not limited to, down payment assistance. • Fiscal incentives or matching funds to local agencies that approve new housing for extremely low-income, very low-income, low-income, and moderate-income households.	Housing shelters	Affordable housing loans
HomeKey	• Acquisition or rehabilitation of motels, hotels, hostels, or other sites including apartments or homes, adult residential facilities, residential elderly care facilities, manufactured housing, commercial properties, and other buildings with existing uses that could be converted to permanent or interim housing. • Master leasing of properties. • Conversion of units from nonresidential to residential. • New construction of dwelling units. • Purchase of affordability covenants and restrictions for units. • Relocation costs for individuals who are being displaced as a result of rehabilitation of existing units. • Capitalized operating subsidies.	Hotel acquisition	Not applicable

continued on next page . . .

FUNDING SOURCE	ELIGIBLE USES	ACTUAL USES SAN JOSÉ	ACTUAL USES SAN DIEGO
SB 89 COVID-19 Emergency Fund	• Support for the acquisition/lease of hotels, motels, trailers, and other alternative isolation placements. • Emergency shelter operations, including furnishings, medically indicated services and supplies, and equipment needed to maintain a sanitary shelter environment for clients and staff. • Support for increasing shelter capacity and the acquisition of new shelters. • Street outreach, including supplies and equipment needed to protect staff from COVID-19 and to meet the urgent physical needs of people experiencing homelessness. • Support for transporting those experiencing homelessness to and from shelters and medical care. • Support for additional staff for infectious disease preparedness and case management for clients.	Interim housing	Operation Shelter to Home
Family Homelessness Challenge Grant	• Rapid rehousing, including housing identification, rental subsidies and incentives to landlords, such as security deposits and holding fees for eligible families, housing search assistance, rapid rehousing case management and services. • Operating subsidies in new and existing affordable or supportive housing units, emergency shelters, and navigation centers. • Street outreach to assist eligible families to access crisis services, interim housing options, and permanent housing and services. • Services coordination, including access to workforce, education, and training programs, or other services needed to improve and promote housing stability for eligible families and to direct case management services to families. • Systems support for activities that improve, strengthen, augment, complement, or are necessary to create regional partnerships and a homelessness services and housing delivery system that makes experiences of homelessness rare, brief, or a one-time occurrence. • Delivery of permanent housing and innovative housing solutions, such as unit conversions that are well suited for eligible families. • Prevention and shelter diversion to permanent housing, including flexible forms of financial assistance, problem solving assistance, and other services to prevent people from losing their housing or from needing to enter emergency shelter/interim housing or becoming unsheltered. • Interim shelter for eligible families. • Improvements to existing emergency shelters.	Not applicable	Not applicable
AB 179 Passthrough	To the City of San Diego for startup costs for emergency shelter for victims of domestic violence.	Not applicable	Not applicable

Source: Federal and state law and information from the cities' financial management systems.

Appendix B

Placements Into Interim and Permanent Housing

We used the state data system to identify the number of times a reporting entity placed individuals experiencing homelessness into each category of permanent and interim housing. Table B shows the number of placements in San José and San Diego from fiscal year 2019–20 through March 2023. As the table shows, the majority of placements during this period were into interim housing and, more specifically, into emergency shelter.

Table B
Placements Into Interim and Permanent Housing

	HOUSING TYPE	FISCAL YEAR				TOTAL
		2019–20	2020–21	2021–22	PARTIAL YEAR 2022–23[*]	
San José[†]	***Permanent Housing***					
	PH-Housing Only	—	—	13	357	370
	PH-Housing With Services (no disability required for entry)	—	6	13	—	19
	PH-Permanent Supportive Housing (disability required for entry)	386	157	236	119	898
	PH-Rapid rehousing	73	62	74	46	255
	Subtotal	**459**	**225**	**336**	**522**	**1,542**
	Interim Housing					
	Emergency Shelter	2,136	2,333	1,964	2,155	8,588
	Safe Haven	2	8	8	8	26
	Transitional Housing	86	47	73	60	266
	Subtotal	**2,224**	**2,388**	**2,045**	**2,223**	**8,880**
	Total	**2,683**	**2,613**	**2,381**	**2,745**	**10,422**
San Diego[†]	***Permanent Housing***					
	PH-Housing Only	—	2	23	11	36
	PH-Housing With Services (no disability required for entry)	42	18	78	26	164
	PH-Permanent Supportive Housing (disability required for entry)	90	97	213	91	491
	PH-Rapid Rehousing	602	388	433	526	1,949
	Subtotal	**734**	**505**	**747**	**654**	**2,640**
	Interim Housing					
	Emergency Shelter	6,453	4,683	5,212	3,905	20,253
	Safe Haven	14	7	36	18	75
	Transitional Housing	273	212	334	173	992
	Subtotal	**6,740**	**4,902**	**5,582**	**4,096**	**21,320**
	Total	**7,474**	**5,407**	**6,329**	**4,750**	**23,960**

Source: Homeless Data Integration System.

Note: This table counts an individual once for each housing placement; therefore, a person can be counted more than once.

[*] Data obtained for fiscal year 2022–23 contains information only through March 2023.

[†] City location information in state data is imprecise. Reported information may show the principal site of a shelter or housing provider, but not all locations. Additionally, placements within a city do not necessarily indicate that the city government was the entity responsible for those placements.

Appendix C

Scope and Methodology

The Audit Committee directed the California State Auditor to conduct an audit of San José and one city selected by the State Auditor to assess the effectiveness of their homelessness spending. Specifically, the Audit Committee asked us to review the outcomes that the two cities achieved with state and local homelessness funding. Table C below lists the objectives that the Audit Committee approved and the methods we used to address them.[15] The Audit Committee also requested that we review the effectiveness of the State's spending on homelessness. We presented the results of our review of the State in a separate report (2023-102.1). Unless otherwise stated in the table or elsewhere in the report, statements or conclusions about items selected for review should not be projected to the population.

Table C
Audit Objectives and the Methods Used to Address Them

	AUDIT OBJECTIVE	METHOD
1	Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed and evaluated state and federal laws and regulations applicable to the cities we reviewed. Reviewed and evaluated relevant city municipal code and ordinances.
2	b. Determine whether state or federal laws or regulations impede the ability of the State or local jurisdictions to accurately assess and track the population experiencing homelessness. c. Identify any impediments to state and local jurisdictions' sharing of data and meaningful collaboration.	• Reviewed state and federal laws and regulations related to data collection, privacy, and sharing. • Interviewed state and city staff to understand any impediments they face in sharing data and in collaborating with one another.
3	Evaluate the extent to which San José and San Diego are meeting the goals they have established in their policies and plans for ending homelessness.	• Interviewed staff in the cities of San José and San Diego to identify each city's plans and goals for ending homelessness. • For San José, reviewed the county-level community action plan to end homelessness and the city's homelessness planning documents to identify the city's goals to end homelessness. We determined that the city did not have city-specific goals to implement the county-level plan until it adopted an implementation plan in January 2024. • For San José, reviewed progress reports and city council memorandums from fiscal years 2020–21 through 2022–23 to evaluate whether the city met certain goals, such as its goal to have 1,300 interim housing units. • For San Diego, reviewed the city-specific community action plan on homelessness to identify the city's goals to end homelessness. • For San Diego, reviewed the progress reports and dashboard on the city's action plan implementation to evaluate whether the city met the goals in the city action plan.

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[15] *Objectives 2* and *2a* directed us to examine the State's structure and efforts for funding and addressing homelessness and the cost-effectiveness of such state-funded programs. Our analysis related to those objectives is the subject of Report 2023-102.1, *Homelessness in California: The State Must Do More to Assess the Cost-Effectiveness of Its Homelessness Programs*, April 2024.

AUDIT OBJECTIVE	METHOD
4 Identify, for the past three fiscal years, how much San José and San Diego have received in noncity funding for homelessness programs, including but not limited to Project Roomkey, Homekey, and federal stimulus funds. a. Determine how the cities have allocated and spent these funds and identify whether there is any amount remaining. b. Evaluate whether the cities have appropriately and effectively used these funds, including whether funding allocated for city staff and contractors aligns with the intent of the programs. c. Identify whether any allocations, and the amounts, were made to pay for city administration or any other overhead or nonprogrammatic functions, such as city hall or other city facilities or allocations to the city manager, city council, and mayor and their staff.	• Reviewed grant award letters, city budgets, single audits, Annual Comprehensive Financial Reports, and appropriation ordinances. • Coordinated with each city's relevant department contacts to identify in the cities' financial systems the state and federal homelessness-related funding, expenditures, and remaining balances for the past three fiscal years. Neither San José nor San Diego received funding for Project Roomkey. • Evaluated the cities' appropriate and effective use of funding by reviewing the outcomes of agreements the cities made to award funds from a variety of nonlocal funding sources to service providers. The cities provided their homelessness-related agreements for each of the past three fiscal years. For San José, we selected eight agreements based on program type, grantee, and agreement amount from the list of more than 100 agreements that the city provided. For San Diego, we selected eight agreements from the list of 46 that the city provided. However, some entries in San José's list did not have complete information, and we identified agreements that each city had entered but not did not include in its list. Consequently, we determined that the lists of agreements the cities provided were incomplete. • For each city, tested the agreements to determine whether funding for city staff and service providers aligned with the intent of programs. • Reviewed appropriations to identify allocations for nonprogrammatic overhead functions such as City Hall or other city facilities, city manager, mayor, or staff. • Determined whether program outcomes were clearly defined, measured, reported on, publicly available, and compared to those of similar programs.
5 Identify the outcomes San José and San Diego have achieved from their use of noncity funding to reduce homelessness, and determine the following for each city: a. The number of unsheltered individuals the city has placed in shelter or housing during each of the past three fiscal years, including the type of shelter or housing. b. The rate of placing individuals in shelter or housing compared to the growth rate of its unsheltered homeless population. c. The amount of time it takes to fill vacant beds and facilities for those facilities controlled by the city or its contractors. d. The amount of time between the city receiving noncity funds and disbursing them to service delivery organizations and the efficiency and effectiveness of this process. e. The length of time it took the city to place individuals in shelter or housing and how much the city spent on services for these individuals while they were unsheltered compared to after they were placed. f. The permanent housing outcomes associated with the programs and services funded through noncity funding.	• Analyzed data about the State's homeless population to determine the number of individuals experiencing unsheltered homelessness who were placed in shelter or housing, the outcomes of individuals experiencing homelessness, and services individuals experiencing homelessness received. • Interviewed Cal ICH about how it collects and uses data from CoCs. • Compared the increase in each cities' unsheltered population with the number of placements into interim or permanent housing. • Because the state data system does not include data that would enable us to calculate the amount of time to fill vacant beds, reviewed utilization data from each city to determine the utilization rate at the city-controlled facilities. Additionally, for San Diego, we reviewed data that allowed us to calculate the rate at which referrals to shelters were completed. • Reviewed agreements and other documentation between the cities and their homelessness program service providers to determine the amount of time it took for cities to award state funds to providers. Because cities draw down federal funds as a reimbursement, we reviewed state funding sources. • Interviewed city employees to understand the funds disbursement processes. • Determined that the state data system does not include information that would enable us to calculate the amount of time to place individuals in shelter or housing. It also does not track how much a city spent on services before or after placement. The cities also do not collect this type of information. Therefore, we were unable to address Objective 5e. • As discussed in Report 2023-102.1, used the state data system to identify and calculate the outcomes associated with federally funded and non-federally funded programs and services. Within the non-federally funded outcome information, we were unable to separate out the permanent housing outcomes for state-funded programs from the overall permanent housing outcomes because of inconsistent data.

	AUDIT OBJECTIVE	METHOD
6	To the extent possible, review available demographic data on San José's and San Diego's unsheltered population and identify whether there are segments of each city's unsheltered population that are underserved. To the extent possible, determine the reasons for those instances and identify whether there are additional funding opportunities or homeless programs that each city could pursue to better serve these segments of the population.	• For each city, obtained and reviewed demographic data from the HMIS managed by its CoC. • For each city, reviewed demographic data from fiscal years 2020–21 through 2022–23 on the number of people experiencing unsheltered homelessness and identified groups that were overrepresented in this population. • For each city, reviewed demographic data from fiscal years 2020–21 through 2022–23 on homelessness services and housing solutions that people experiencing homelessness received to identify any disparities in accessing services. • Identified the actions each city took to address demographic disparities.
7	Identify any funding sources San José and San Diego used during the three most recent fiscal years to ensure the health and safety of the unsheltered population and the outcomes each city has achieved from its use of this funding. Determine the following: a. Whether each city has made an effort to identify public safety and health issues at homeless encampments, including the encampments at Columbus Park in San José. b. Whether the services each city has provided to address public safety and health issues adequately mitigated the impact of these issues on the population of encampments and surrounding areas. c. Whether each city has worked with its respective county and its public health department to provide services to address and mitigate these public safety and health issues.	• Interviewed staff in San José and San Diego to identify the programs each city established and actions each city took to ensure the health and safety of people experiencing unsheltered homelessness. • For fiscal years 2020–21 through 2022–23, reviewed agreements, budgets, and financial system data from the cities to identify the funding sources and amounts for programs intended to ensure the health and safety of people experiencing unsheltered homelessness. • Reviewed the outcome information of each city's programs intended to ensure the health and safety of people experiencing unsheltered homelessness. • Reviewed and assessed each city's policies and processes for evaluating health and safety risks around encampments. • Reviewed progress reports and data to evaluate whether each city mitigated health and safety risks around encampments. • For San José, reviewed the Columbus Park encampment work plan and progress updates to determine whether the city took actions to identify and mitigate the health and safety risks. • For San José, interviewed staff and determined that the city does not have a contract with the county health department. • For San Diego, reviewed the city's agreement with the county health department and evaluated the use of that agreement in mitigating public health risks at encampments and surrounding areas.
8	Identify other public and local funds, including San José's Measure E Funds, that San José and San Diego have used during the three most recent fiscal years to address homelessness. a. Evaluate the effectiveness of each city's use of these funds. b. Identify how many full-time equivalent city staff are engaged in work abating homeless encampments, including management and clean up through San José's BeautifySJ initiative, and how many staff in each city's housing department are focused on solutions to homelessness through efforts such as homelessness prevention, rapid rehousing, temporary housing, and permanent supportive housing. c. Quantify the annual operational costs of administering each city's programs during the three most recent fiscal years to abate, manage, and clean up homeless encampments and of its efforts to provide solutions to homelessness through housing strategies and homelessness prevention.	• Reviewed city budgets, Single Audits, Annual Comprehensive Financial Reports, appropriation ordinances, and Measure E reports. • Coordinated with each city's relevant department contacts to identify local homelessness-related funding and expenditures for the past three fiscal years. • Evaluated the effectiveness of San José's use of local funds by testing a selection of six agreements using local funding from a list of more than 100 agreements we sourced by combining a list that the city provided with additional agreements we identified from city records. • Evaluated the effectiveness of San Diego's use of local funds by testing a selection of six agreements using local funding from a list of 46 agreements that the city provided. • For each city, selected two agreements for each of fiscal years 2020–21 through 2022–23 based on funding source, program type, and funding amount. We tested the agreements to ensure that they had defined performance measures and that the cities had received required performance reporting. We also verified whether the cities had evaluated the effectiveness of the services provided. • Reviewed the adopted budgets of each city and reports from its financial management systems to identify full-time equivalent staff engaged in abating encampments and those focused on solutions to homelessness. • Reviewed financial documentation from San José's budget department that identified and summarized the city's operational costs associated with this work. • Reviewed financial documentation from the San Diego departments involved with this work that identified and summarized their operational costs.

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	AUDIT OBJECTIVE	METHOD
9	Identify San José's and San Diego's proposed sites for building interim and permanent housing for individuals experiencing homelessness. a. Identify each city's policies and processes for approving housing sites. b. Determine how many approved sites each city owns or controls. c. Determine whether the sites are equally distributed among each city council district. d. Assess each city's efforts to identify potential additional sites for both interim and permanent housing, the locations of those sites, and the status of any plans to build more housing.	• For each city, interviewed staff and reviewed city records to identify proposed interim and permanent housing sites for individuals experiencing homelessness. • Interviewed staff in each city to identify policies and processes for approving interim and permanent housing sites. We then reviewed these policies and processes. • Requested that each city identify the proposed interim and permanent housing sites it owns. • For each city, created a map graphic of the proposed interim and permanent housing site locations to demonstrate the distribution of sites across city council districts. • Obtained information about each city's potential additional interim and permanent housing sites. We identified and reviewed each city's plans for future interim and permanent housing.
10	Review and assess any other issues that are significant to the audit.	None identified.

Source: Audit workpapers.

Assessment of Data Reliability

The U.S. Government Accountability Office, whose standards we are statutorily obligated to follow, requires us to assess the sufficiency and appropriateness of any computer-processed information we use to support our findings, conclusions, or recommendations. In performing this audit, we relied on electronic data obtained from Cal ICH's state data system for the period from July 1, 2019, through March 31, 2023. To evaluate the data, we reviewed existing information, interviewed people knowledgeable about the data, and performed electronic testing of key elements of the data. We identified problems with the state data system data, such as the inclusion of deleted records, test entries, and illogical entries, such as some enrollment numbers that exceeded the bed capacity of the corresponding shelters. Consequently, we found the state data system data to be of undetermined reliability for the purposes of analyzing the number and duration of those enrolled in homelessness services.

We also relied on electronic data files that we obtained from San José and San Diego that contained financial information, housing information, and agreement information. To evaluate the data, we reviewed existing information, interviewed people knowledgeable about the data, and performed electronic testing of key elements of the data. Nevertheless, we could not determine the completeness of these data, so we found them to be of undetermined reliability. Although the data may contain errors that affect the precision of the numbers presented, we concluded that there is sufficient evidence in total to support our findings, conclusions, and recommendations.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Office of the City Manager

VIA EMAIL

Grant Parks*
California State Auditor
621 Capitol Mall
Suite 1200
Sacramento, CA 95814

March 12, 2024

Re: State and Local Government Homeless Funding Report 2023-102.2

Dear Mr. Parks:

Please find the City of San José's responses to the California State Auditor's report relating to State and Local Government Homeless Funding (Report 2023-102.2). The City appreciates the efforts the California State Auditor has made to understand the nature of homelessness in San José and our work to prevent and end homelessness. The City has proactively been addressing the Auditor's recommendations prior to this process.

We offer background and context that are twofold: 1) background on the City of San José's progress on addressing homelessness and our role in the region's supportive housing and homeless response system, and 2) additional context for the time period of the audit of Fiscal Years 2020-2021 through 2022-2023 that were lacking detail in the Auditor's report—specifically, the City's efforts to help prevent the spread of the coronavirus (COVID-19) amongst our most vulnerable community members experiencing homelessness and the intentionality the City took for quickly executing immediate solutions which implemented our long-term strategic vision. ①

General Comments

The Santa Clara County region is unique for its deep cross-section collaboration of stakeholders whose work is ending homelessness for thousands of San José residents. The City of San José and its partners, the County of Santa Clara, Destination: Home, and the Santa Clara County Housing Authority believe ending homelessness requires broad cross-sector alignment, collaboration, and significant investments and social innovation. Specifically, our collaboration is achieved through a collective impact model[1] that leads to a common agenda shared by each partner. In 2015, the City and its partners came together and co-created our first regional strategic plan to end homelessness. Through our collective impact model on our first Community Plan to End Homelessness, we achieved significant results and brought a host of local resources to address the issue:

- Voters passed a $950 million affordable housing bond with a goal of building 4,800 new units of deeply affordable and supportive housing throughout San José and Santa Clara County;

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[1] Collective impact models are those where a broad cross-sector of key stakeholders work together to create a common agenda to solve a social problem.

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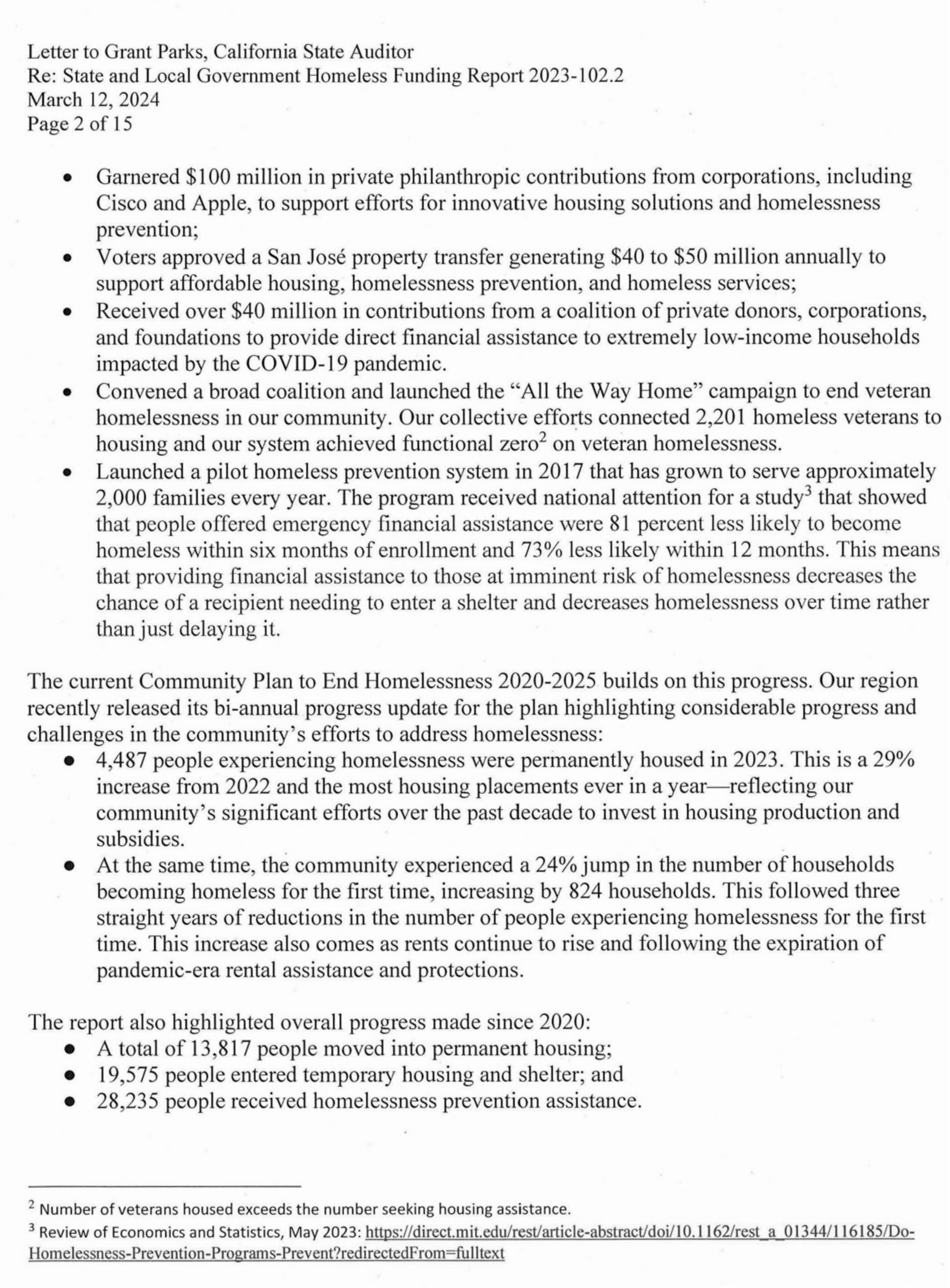
* California State Auditor's comments begin on page 93.



- Garnered $100 million in private philanthropic contributions from corporations, including Cisco and Apple, to support efforts for innovative housing solutions and homelessness prevention;
- Voters approved a San José property transfer generating $40 to $50 million annually to support affordable housing, homelessness prevention, and homeless services;
- Received over $40 million in contributions from a coalition of private donors, corporations, and foundations to provide direct financial assistance to extremely low-income households impacted by the COVID-19 pandemic.
- Convened a broad coalition and launched the "All the Way Home" campaign to end veteran homelessness in our community. Our collective efforts connected 2,201 homeless veterans to housing and our system achieved functional zero[2] on veteran homelessness.
- Launched a pilot homeless prevention system in 2017 that has grown to serve approximately 2,000 families every year. The program received national attention for a study[3] that showed that people offered emergency financial assistance were 81 percent less likely to become homeless within six months of enrollment and 73% less likely within 12 months. This means that providing financial assistance to those at imminent risk of homelessness decreases the chance of a recipient needing to enter a shelter and decreases homelessness over time rather than just delaying it.

The current Community Plan to End Homelessness 2020-2025 builds on this progress. Our region recently released its bi-annual progress update for the plan highlighting considerable progress and challenges in the community's efforts to address homelessness:

- 4,487 people experiencing homelessness were permanently housed in 2023. This is a 29% increase from 2022 and the most housing placements ever in a year—reflecting our community's significant efforts over the past decade to invest in housing production and subsidies.
- At the same time, the community experienced a 24% jump in the number of households becoming homeless for the first time, increasing by 824 households. This followed three straight years of reductions in the number of people experiencing homelessness for the first time. This increase also comes as rents continue to rise and following the expiration of pandemic-era rental assistance and protections.

The report also highlighted overall progress made since 2020:

- A total of 13,817 people moved into permanent housing;
- 19,575 people entered temporary housing and shelter; and
- 28,235 people received homelessness prevention assistance.

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[2] Number of veterans housed exceeds the number seeking housing assistance.

[3] Review of Economics and Statistics, May 2023: https://direct.mit.edu/rest/article-abstract/doi/10.1162/rest_a_01344/116185/Do-Homelessness-Prevention-Programs-Prevent?redirectedFrom=fulltext

Our region's collective investments in permanent housing, interim housing, and prevention are gaining traction. The City offers a different perspective on the Auditor's statement that "since 2015 San José has seen increases in the number of individuals experiencing homelessness." ② According to the 2022 Point-in-Time homeless census by the County of Santa Clara and the City of San José, the overall number of homeless individuals counted increased by 3% in Santa Clara County (to 10,028) and increased by 11% (to 6,739) in the City of San José. At the same time, the community saw a decrease in unsheltered homeless individuals living outdoors, with a 3% decrease in Santa Clara County (7,708 unsheltered) and a 2% decrease in San José (5,031 unsheltered). This trend coincided with an increase in sheltered individuals in both San José and countywide, as jurisdictions across the community have expanded interim housing and temporary shelter options by 25% in the last three years. The 2023 Point-in-Time count shows the overall number of homeless individuals counted decreased by 1.2% in Santa Clara County and dropped by 4.7% in the city limits of San José. ② The Point-in-Time count data showed there was a 10.7% decrease in the number of unsheltered individuals in San José. The numbers also show a 12.9% increase in sheltered individuals as San José expanded interim housing and temporary shelter options over the past few years.

Despite our progress creating a supportive housing system that assists thousands of homeless individuals and families each year, the crisis continues because the systemic factors driving this crisis—from growing income inequality to a severe lack of affordable housing—are stronger than ever. These challenges have been compounded by the recent COVID-19 pandemic, which brought our local economy to a halt, leaving many more households struggling to cope with job losses, lack of childcare, and economic uncertainty. We believe it is important to provide this additional context. The Audit report's primary assertions that the City "does not have enough shelter capacity it requires ① to house residents who are experiencing unsheltered homelessness" and "we need to develop more interim and permanent housing" are correct. However, additional context about the systemic factors leading to homelessness is needed. If we do not address system factors that cause homelessness, we will continue to use resources to address the problem, but we will not solve it.

The gap between the rich and the poor in our community, combined with the lack of housing development, particularly at the lowest income levels, is fueling the homelessness crisis. According to the Public Policy Institute of California, families at the highest income levels in the Bay Area (the 90th percentile) have more than 12 times the income of families at the bottom (the 10th percentile)[4]. Those at the bottom rung of the economic ladder have also not shared in the region's significant economic growth. Between 2000 and 2015 in Santa Clara County, workers with earnings in the 10th percentile saw their income decline by 12%.[5] According to a 2021 analysis by the Brookings Institution, of the 53 largest metropolitan areas in the United States, Silicon Valley ranked number one in prosperity, but 46th and 50th in geographic inclusion and racial inclusion, respectively[6]. Longstanding and structural racial inequities continue to affect who becomes homeless in our community. A report commissioned by the City's partner, Destination: Home, found that people of color are dramatically more likely than their white counterparts to become homeless in Santa Clara County and that poverty alone cannot explain disparities in homelessness.

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[4] Public Policy Institute of California, "Income Inequality in California," 2020: https://www.ppic.org/publication/income-inequality-in-california/

[5] Bay Area Equity Atlas, "Earned income growth for full-time wage and salary workers: Santa Clara County, CA, 2000–2015: https://bayareaequityatlas.org/indicators/income-growth#/?geo=04000000000006085

Compounding the impacts of this inequality is the fact that housing costs are higher than ever and housing that is affordable to the lowest-income families is not produced. In fact, the National Low-Income Housing Coalition's most recent report, The Gap: A Shortage of Affordable Homes, found that, in 2021, there were only 24 affordable and available units for every 100 extremely low-income renter households in the San José metro area.[7] Renters in San José must now earn $54 an hour ($111,680 a year) to afford the average effective monthly rent for a two-bedroom apartment.

These systemic factors mean that individuals are falling into homelessness faster than we can provide housing for. In fact, for every homeless family or individual we connect to housing, between two and three more are experiencing homelessness for the very first time. If this trend continues, in addition to the nearly 10,000 individuals currently experiencing homelessness in Santa Clara County, another 20,000 are at-risk of falling into homelessness over the next five years. The ③ Audit focused on interim and permanent housing but did not adequately explain the systemic factors causing homelessness and the need to focus on prevention and addressing failures in safety net programs that push thousands into homelessness.

The Audit period also covers the years of the COVID-19 pandemic. The intersecting public health and shelter crises (COVID-19 and homelessness) that began in March 2020 demanded an immediate response to help stop community spread of COVID-19 among vulnerable populations that included a specific focus on people experiencing homelessness. The pandemic response in our region spurred the urgent implementation of our shared 2020-2025 Community Plan goals. And our existing collective impact model allowed us to act faster and with bold actions because we had a shared framework, values, and defined responsibilities amongst each partner. We highlight our region's ① COVID-19 response during the Audit timeframe because the breadth and depth of our response was absent in the Auditor's report. Specifically, how our response tied to meeting our collective goals and to the many programs that were sustained after the pandemic subsided.

To address the public health crisis and the homelessness crisis, the City Council ordered a suspension of many local regulations applicable to shelters to speed shelter delivery, as well as declaring the continued existence of a shelter crisis. During this time, COVID-19 was a highly transmissible virus that could have resulted in serious illness or death. Unsheltered people were more vulnerable to COVID-19 because they had limited access to sanitation, such as clean water and soap, and are more prone to illnesses. Further, there was a significant lack of shelter spaces to meet the need of the over 5,000 people who were already living on our streets. Lacking a safe place to go indoors made it impossible for many to meet the Santa Clara County Shelter-in-Place Order. Unsheltered people, particularly those over 65 years old and people with underlying health conditions, were at higher risk for severe illness and death. In March 2020, Governor Newson issued Executive Order N-32-20 that urged a focused approach to bring unsheltered Californians indoors by increasing shelter and housing inventory. The order also suspended certain regulations when specific state funding was used to increase housing capacity during the declared State of Emergency. Additionally, the Santa Clara County Shelter-in-Place Order not only directed residents to shelter in their place of residence, but it also urged governments to make shelter available for people experiencing homelessness. The federal Centers for Disease Control and Prevention simultaneously recommended that encampments not be abated to allow people experiencing homelessness to shelter where they were. The City thus pursued an emergency response through three Emergency Operations Center (EOC) branches—one focused on meeting homeless housing needs, supportive services, and deep coordination with the County EOC; the second branch focused on emergency interim housing solutions that not only advanced state and County objectives, but also responded to City Council direction seeking to address these intersecting crises; and a third EOC branch focused on providing encampments trash service and large debris clean up. Many of the ideas first envisioned as part of a larger 2020-2025 Community Plan were suddenly being deployed immediately in response to COVID-19. Below is a summary of those efforts listed by Community Plan Strategy.

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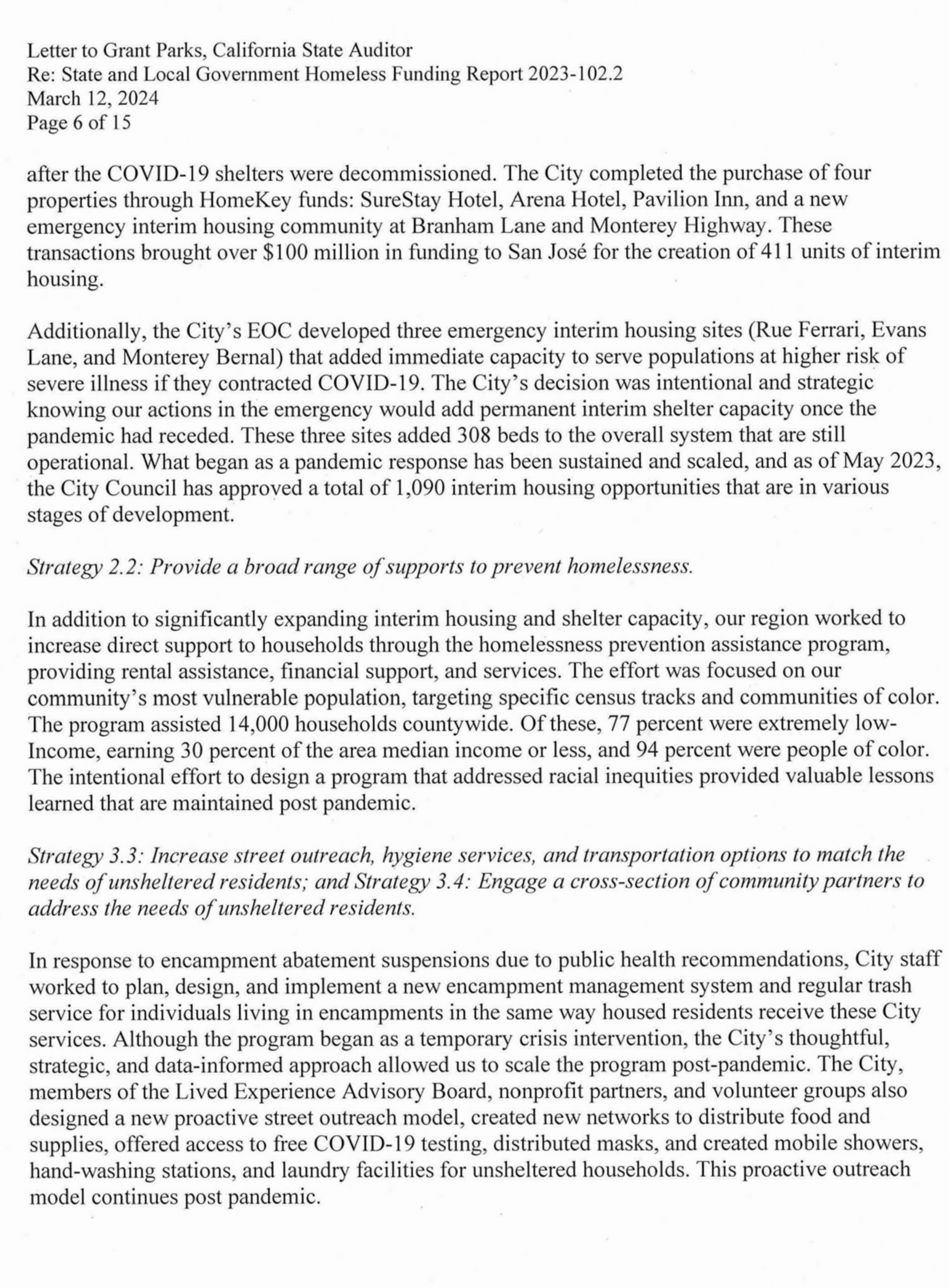
[6] Brookings Institute: https://www.brookings.edu/articles/top-10-metropolitan-areas-by-change-in-prosperity/

[7] National Low-Income Housing Coalition, "The Gap: A Shortage of Affordable Homes." 2021. https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf

Strategy 3.1: Double the number of year-round temporary housing beds and offer a variety of welcoming temporary housing options throughout the county.

In just a matter of weeks, the City, with the Housing Department as lead and with many City departments supporting their efforts, added much needed shelter capacity across the City. In coordination with the City, the County sheltered hundreds of people in motels/hotels. The County mobilized over 770 motel/hotel rooms across seven cities in the County, of which 342 motel rooms were located in San José, and opened a new congregate shelter at the County Fairgrounds. The City's Housing Department quickly erected over 430 temporary shelter beds across several City sites, including Parkside Hall, Camden Community Center, Bascom Community Center, and Convention Center South Hall. The County and City worked with a nonprofit organization to expand hours at 10 shelters, safe parking sites, and overnight warming locations. In Fiscal Year 2020–2021, the Housing Department housed 1,365 medically vulnerable homeless individuals in four non-congregate shelters, keeping them safe during the pandemic. The Housing Department worked with nonprofit partners and the County to shelter a total of 8,535 households between April 2020 and September 2021. Anticipating the decommissioning of some congregate shelters once the pandemic subsided, the City and County's coordinated aggressive pursuit of state HomeKey funds was successful and the funds were used for temporary housing, so our system would not loose capacity



after the COVID-19 shelters were decommissioned. The City completed the purchase of four properties through HomeKey funds: SureStay Hotel, Arena Hotel, Pavilion Inn, and a new emergency interim housing community at Branham Lane and Monterey Highway. These transactions brought over $100 million in funding to San José for the creation of 411 units of interim housing.

Additionally, the City's EOC developed three emergency interim housing sites (Rue Ferrari, Evans Lane, and Monterey Bernal) that added immediate capacity to serve populations at higher risk of severe illness if they contracted COVID-19. The City's decision was intentional and strategic knowing our actions in the emergency would add permanent interim shelter capacity once the pandemic had receded. These three sites added 308 beds to the overall system that are still operational. What began as a pandemic response has been sustained and scaled, and as of May 2023, the City Council has approved a total of 1,090 interim housing opportunities that are in various stages of development.

Strategy 2.2: Provide a broad range of supports to prevent homelessness.

In addition to significantly expanding interim housing and shelter capacity, our region worked to increase direct support to households through the homelessness prevention assistance program, providing rental assistance, financial support, and services. The effort was focused on our community's most vulnerable population, targeting specific census tracks and communities of color. The program assisted 14,000 households countywide. Of these, 77 percent were extremely low-Income, earning 30 percent of the area median income or less, and 94 percent were people of color. The intentional effort to design a program that addressed racial inequities provided valuable lessons learned that are maintained post pandemic.

Strategy 3.3: Increase street outreach, hygiene services, and transportation options to match the needs of unsheltered residents; and Strategy 3.4: Engage a cross-section of community partners to address the needs of unsheltered residents.

In response to encampment abatement suspensions due to public health recommendations, City staff worked to plan, design, and implement a new encampment management system and regular trash service for individuals living in encampments in the same way housed residents receive these City services. Although the program began as a temporary crisis intervention, the City's thoughtful, strategic, and data-informed approach allowed us to scale the program post-pandemic. The City, members of the Lived Experience Advisory Board, nonprofit partners, and volunteer groups also designed a new proactive street outreach model, created new networks to distribute food and supplies, offered access to free COVID-19 testing, distributed masks, and created mobile showers, hand-washing stations, and laundry facilities for unsheltered households. This proactive outreach model continues post pandemic.

California State Auditor Recommendations and City of San José Responses

Recommendation 1:
To ensure effectiveness of its actions to prevent and end homelessness, San José should, by September 2024, finalize the annual goals in its City implementation plan on homelessness. The City should then follow its planned schedule for updating its implementation plan goals and for publicly reporting, each fall, on its progress toward meeting each goal.

Response:
This recommendation is already underway. As noted in its memorandum[8] to the Neighborhood Services and Education Committee of the San José City Council on December 14, 2023, an annual report is planned for submittal to that committee each fall. The report will also be provided to the full City Council. This public report will contain progress towards meeting identified goals.

Recommendation 2:
To promote transparency, accountability, and effective decision-making, San José should, by September 2024, publicly report in a single location, such as by creating a spending plan for all of the federal and state funding it receives as well as the local funding it allocates, including Measure E funding, for reducing homelessness. It should also regularly monitor the amount of its unspent funding to ensure that it complies with any future spending deadlines and can adequately explain to the public the anticipated timing of its future spending.

Response:
The City has already taken steps to implement this recommendation by improving and clarifying how resources to prevent, manage, and mitigate the impact of homelessness are allocated within the City's budget documents as follows: ④

- The budget programs within the Housing Department's *Homelessness Interventions and Solutions* core service have been redefined and expanded to more transparently display the number of full-time equivalent positions for homelessness prevention and support: *congregate shelter; homeless hygiene and meals; homeless supportive services; homelessness prevention, shelter diversion and rental assistance; homeless outreach and engagement; interim housing construction and operations; rapid rehousing;* and *homeless administrative support.*

- Within the Department of Parks, Recreation, and Neighborhood Services Community Services core service, the provision of services at homeless encampment locations throughout the City, including trash management, biowaste removal, encampment engagement and education, and encampment abatements will solely exist within the new

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[8] Memorandum, December 14, 2023: https://sanjose.legistar.com/View.ashx?M=F&ID=12514282&GUID=52DF37C7-CC76-4210-92DD-8BE7633CC02E

> *Encampment Management* budget program. Prior to this change, services for encampment management were included in the same budget program as illegal dumping response.

The City's budgeting platform has been updated with these new program alignments, allowing all funding sources to be budgeted at a programmatic level in the 2024-2025 Proposed Operating Budget scheduled for release in May 2024. The appendices within the Proposed Budget will also include a summary of the above budget programs by funding source, so that interested parties can easily view the City's programmatic budget for homelessness. The City's financial management system will be updated with the revised program structure for 2024-2025 to allow for easy report generation and budget to actual comparisons.

Recommendation 3:

- To ensure San José effectively and transparently spends its funding to prevent and end homelessness, the City should ensure when it renews or enters into new agreements with service providers it establishes clearly defined performance measures; and
- Require that beginning by September 2024, staff, at least annually, document an overall performance review and assessment of the effectiveness of each service provider based on the performance measures in the agreement and other expectations that San José has set.

Response:
This work is underway. The Housing Department's Grants management staff has implemented a pre-assessment and post-assessment process for all contracts, allowing staff to analyze proposed outcomes to actual results. All new agreements will be put through this assessment process. This process will allow the analyst to assess the effectiveness of the identified services outlined in the agreement. The Housing Department's Homeless Response Division and the grants analysts will identify similar programs in neighboring jurisdictions, the state, or in other cities of comparable size to review. Staff will assess the neighboring programs' outcomes and will compare them to San José housing's programs and outcomes.

During the COVID-19 response, the Housing Department's grants and contracts workload quadrupled with the infusion of pandemic-related funds. As the team experienced turn over, Housing Department employees from other teams stepped in to assist the contracts during this challenging time. This context is provided as it is important to recognize the global and national challenges of this Audit time period. The Housing Department proactively brought on a retiree rehire with extensive experience in federal funds and contract monitoring and compliance to assist the team. Additionally, the Housing Department proactively contracted with an outside firm, The Pun Group, to provide training to new team members and complete contract monitoring. Most recently, the grants management team designated an analyst as the team's compliance and monitoring lead. This compliance and monitoring analyst will complete regular desk audits to ensure the programs are in compliance and completing the quarterly data collection on time and correctly.

Additional context is provided in the Audit Report's example of the rapid rehousing contract for $2.0 million that did not meet performance targets. During the period of this agreement, the City was working on a directive from the Federal Aviation Administration to clear a large encampment near the airport. The Housing Department leveraged a number of existing contracts to provide housing and case management services at the encampment. The Housing Department requested the rapid rehousing service provider focus its efforts on individuals living in this encampment. Rapid rehousing is a program that offers time-limited rental subsidies (typically for private market apartments) along with supportive services. The service provider had a difficulty moving individuals directly from the encampment to a housing unit in a timely manner. Often, individuals experiencing unsheltered homelessness face barriers to housing that take time to resolve, such as obtaining identification or other documentation needed to obtain an apartment. Working with individuals living in an unstable environment (e.g., an encampment) is also challenging. For example, maintaining regular communication with case managers is difficult and lost or stolen documents are frequent. While the service provider did not meet the contract performance targets, there were difficult circumstances. The City understands that better documentation should have been provided regarding the assessment of the service provider's performance.

Recommendation 4:
To better assist people experiencing unsheltered homelessness, San José should, by September 2024, develop performance measures across all City departments to evaluate the effects of the City public health and safety programs on the programs' intended clients. San José should publicly report on the effects of its actions in its annual homelessness report. ⑤

Response:
According to the Centers for Disease Control and Prevention, public health is defined as "the science and art of preventing disease, prolonging life, and promoting health through the organized efforts and informed choices of society, organizations, public and private communities, and individuals." As with other regions in California, the Public Health Department lies within the County of Santa Clara. To the extent this recommendation is intended to focus on the City's regular trash service at encampment locations, its Recreation Vehicle Pollution Prevention Program, or other specific efforts focused on providing waste and trash collection, this recommendation misses the mark. ⑥ It is, of course, critically important to afford people an ability to properly dispose of waste and trash. This is why the City of San José was among the first in the nation to extend regular trash service to encampment locations. Despite this, the burden of developing and monitoring a system for evaluating the effects of these programs "on intended clients" would create two substantial problems. ⑤

First, it would allocate resources that could be used to actually collect trash and waste to evaluating the impact of having one's waste and trash removed. This is not an approach that cities take for understanding the effects of removing waste and trash from people who live in apartments or homes presumably because the effect is assumed to be self-evidently beneficial.

Secondly, it would create a substantial measurement challenge in determining cause and effect. The City would be in the position of trying to identify the population health benefits of waste and trash removal, not just for an ever-changing subset of the community, but being asked to do so without the benefit of the type of scientific expertise that may be found in a public health department. As a result, while the City's efforts to provide weekly trash service to approximately 150 encampment locations impact public health in a general way, it is not reasonable to be asked to take on a measurement burden at the individual effect level not required of other trash service efforts typical of a municipality. Similarly, the City's efforts to prohibit and prevent illegal dumping, including in ⑥ or near encampments, can serve to impact public health, but it is not reasonable to recommend the City allocate scarce resources to developing epidemiological surveillance efforts to track and evaluate potential impacts. The City does, however, measure the volume of waste removed and the efforts to maximize cleanliness. Nonetheless, the City is in progress on updating its performance measures for the BeautifySJ encampment management programs.

With regard to its safety programs, the City of San José provides its Fire Department and Police Department services to all residents of the public equally, without regard to housing status. As such, it is not immediately clear how the City could measure in a distinct way the impact of these safety services on a subset of residents. However, as with all services, the City strives to receive information from its residents to engage in continuous quality improvement and will continue to seek ways to evaluate and improve upon both the services that impact public health and those that impact safety.

Recommendation 5:
To ensure the equitable provision of homeless services, the City of San José should begin immediately requesting monthly Citywide demographic data from the County to determine which demographic groups are underserved by specific program types. As needed, San José should take actions to address demographic disparities such as additional outreach or tailoring programs to meet the needs of underserved groups.

Response:
Our region's community plan is centered on lifting the voices of people who have experienced homelessness and addressing racial inequities. The City upholds this same commitment in its local implementation plan. The City focuses on policies and programs that reduce racial inequity, in an effort to reduce the disproportionately high rates of people of color who are unhoused. This work is already underway in many City programs. The following are examples:

- Our region is redesigning its coordinated entry system to ensure we are better serving people experiencing homelessness in our community. We hope to develop a more streamlined, racially equitable and client-centered process that more effectively prioritizes and refers people to available housing programs. This effort is being co-led by a committee of people with lived experience as well as a committee of non-profit and government service providers.

We launched this process in April 2022 and will begin piloting our updated coordinated entry model in 2024.

- The 2020 emergency rental assistance program during the COVID-19 response was centered on racial equity. The City commitment was to center its pandemic response on the most vulnerable. In the largest effort, the Santa Clara County Homelessness Prevention System, led by Destination: Home and Sacred Heart Community Services, and funded by the City, County, and philanthropic funds, pivoted to focus on COVID-19 relief. The program intentionally partnered with more than 70 nonprofits and grassroots partners who provided intake, case management, and distributed direct assistance to residents and landlords. The intent was to partner with grassroots organizations already working with vulnerable households on food access, healthcare, etc. In total, this partnership distributed $31 million in rental relief and direct financial assistance countywide in 2020. The program assisted 14,000 households countywide. Of these, 77 percent were extremely low-Income, earning 30 percent of the area median income or less, and 94 percent were people of color.
- The Housing Department has a trained team of employees that are part of the Government Alliance on Race and Equity, a national network of government professionals working to achieve racial equity and advance opportunities for all. The Department also has a Race Equity Impact team. The teams are developing a department-wide racial equity action plan using an equitable results framework and root cause analysis.

Racial equity is a long-term commitment for the City, Housing Department, and our supportive housing and homeless system. As we continue to build new systems, programs and solutions to end homelessness, we will listen to, learn from and co-create with those who have experienced the injustices we mean to eliminate. Regular evaluation is a critical piece of the work. We believe monitoring demographic data by program type on a monthly basis is too frequent to see notable changes, and we do not have the staff resources to complete thorough root cause analysis at this cadence. The City will complete analysis every six months. ⑦

Recommendation 6:
By September 2024, San José should develop goals for building permanent housing for people experiencing homelessness that align with its implementation plan for meeting the goals of its Continuum of Care action plan. By the same date, the City should also formally adopt a policy for identifying and approving suitable locations for interim housing. In addition, it should develop plans for meeting its goal of having one interim housing facility in each City Council district, likely by pursuing interim housing at the additional locations it has already identified.

Response:
The City has taken significant steps towards accomplishing the recommendations related to interim and permanent housing. The City has evolved its policy to site interim housing over many years. Back in 2015, the City Council directed staff to research and evaluate strategies and approaches to siting and developing interim housing. After a number of years and extensive City Council, staff,

and community discussion, the City Council directed staff to assemble a list of potential sites from remnant and potentially available public properties, initially focused on City-owned land, but eventually broadened to include other local, regional, and state public lands. During the initial outreach phase related to potential sites, the City received significant opposition from the ⑧ community, particularly neighborhoods adjacent to specific sites. This previous effort was, in effect, an attempt to employ the recommendation called out in the Audit Report. However, the experience of actually implementing that approach and seeing its limitations led the City to refine how it identifies viable interim housing sites, because this approach simply did not work well in practice. Given the significant opposition to many sites, the City ultimately adopted an approach that sited two bridge housing communities, one each in Districts 3 and 7, as a way to test the practicality of the interim housing strategy. Also given the cost, limited funding availability, and staff and lead time to develop sites, a broad implementation across all 10 districts was not feasible prior to 2020.

In 2020, during the pandemic, the City, with guidance from the Centers for Disease Control and Prevention and direction from Governor Newsom's Executive Order, ramped up its siting and delivery efforts for interim housing and temporary shelters. In spite of continued opposition to interim housing sites, the City Council approved four sites for interim housing that have all been constructed and opened. In 2021, the City Council reiterated its priority for additional interim housing, including one site in each district. In 2022, the City Council approved additional sites, and directed staff to conduct further community outreach, evaluation, and to return to City Council with that information. During that timeframe, City staff posted its updated Guidelines for Evaluating and Siting Interim Housing that are used to focus the work of staff in identifying and evaluating the initial feasibility, viability, and practicality of recommending specific sites to City Council for development of interim housing. Those guidelines are in use today. The reality is that any rigid criteria for site identification and selection inhibits, rather than accelerates, the City's ability to move forward in developing new interim housing or other temporary housing options. To take a practical example, if the City included a criterion that only sites within a certain distance of public transportation would be considered, that would artificially limit locations for consideration when the City could reasonably find other locations and instead seek to include transportation alternatives, such as shuttle service. In addition, categorically excluding properties of a specific zoning designation would remove the flexibility to identify properties that may have a technical designation but practically be in a location that will be suitable for these housing options. The City agrees with the need to continue to explore ways to accelerate new interim and temporary housing production, ⑧ including refining desirable characteristics when reasonable. However, experience demonstrates that this recommendation's call for specifically identified inclusion or exclusion criteria is unworkable. Staff will confer with the Mayor and City Council on their priority and interest in updating the guidelines and/or developing a formal policy on siting future interim housing, in light of the staff time associated with that policy work, and the expected future of siting work.

On the recommendation that the City should develop plans for meeting its goal of having one interim housing facility in each City Council district, the City will consider and address the priority and importance of continuing that goal established numerous years back or modifying it, given overall progress to date on siting, opening, and/or developing interim housing communities in seven of 10 districts, including multiple sites in some districts, coupled with the current priorities and lack of funding availability.

Nevertheless, the City disagrees with the Auditor's statement that, "The City does not have a clear, long-term plan to develop and fund the needed permanent housing." ⑨ The City's long-term plan to fund permanent housing is achieved through several policies and revenue measures. As part of our supportive housing system, the City aligns resources with its collective partners, and our region has demonstrated leadership in building affordable housing. The City disagrees with the Auditor's ⑨ conclusion that San José lacks a plan with goals. The City's implementation plan to the Community Plan to End Homelessness 2020-2025 (accepted by the City Council Neighborhood Services and Education Committee December 14, 2023, and by the full City Council on January 9, 2024) includes targets for housing unit production, rapid rehousing, and prevention. However, some of the other strategies in the City's local implementation plan are still under development thus the "TBD" listed in the overall goal. The City will continue to iterate and refine the plan and present outcomes and metrics to the committee every fall, as stated in the plan.

The primary housing revenue sources come from the City's Inclusionary Housing Ordinance and the local Measure E. The Inclusionary Housing Ordinance requires all residential developers who create new, additional, or modified for-sale or rental units to provide 15% of housing on-site that is affordable to income-qualified buyers/renters specified below. The ordinance also allows developers to pay an in-lieu fee that is then used to by the Housing Department to finance new affordable housing developments. In March of 2020, San José voters approved Measure E, a Real Property Transfer Tax on property transfers of $2.0 million or more. Both funds are impacted by market conditions, such as interest rates and costs of construction. The amount of funding generated by these sources are not meeting our community's need for affordable housing; however, we believe if more funding was available, our system could make more progress. For example, in January 2024, the Housing Department recently made awards for a Notice of Funding Availability of $50 million using our local sources. With the $50 million in available funds, four proposals were selected from 17 applications to move forward to the City Council for recommended funding commitments. The four selected developments will bring 338 units of new affordable housing to San José, including 115 new permanent supportive housing units. The 17 applications submitted requested $257,450,000 in funding, oversubscribing the amount of funding available by over five times. Over 1,500 new affordable homes with over 400 supportive housing units could have been funded from the October 2023 Notice of Funding Availability round if additional funding were available.

Last year, the Housing Department committed $207 million in local funding to 11 new affordable housing projects. When all of these developments are complete, they will provide 1,211 affordable apartments. Construction has started on four of the 11 projects. These projects were also awarded through a Notice of Funding Availability process that was over-subscribed. The Notice of Funding Availability had four waitlisted projects that requested $72,275,000 to create 782 units.

As part of the Notice of Funding Availability process, developers were required to document the feasibility of their proposals and explain who will be served and what services will be offered at their properties. They are also required to demonstrate how their project aligns with the City's Affordable Housing Siting Policy, which is the policy document that guides where the City encourages creation of affordable housing. The Housing Department creates an annual plan for financing new affordable housing by taking the amount of funds available, issuing a Notice of Funding Availability, and creating a unit goal based on the results of the Notice of Funding Availability. This unit goal was part of the City's local implementation plan for addressing homelessness.

In addition to Measure E, voters approved Measure A in 2016, which is administered by the County of Santa Clara Office of Supportive Housing. The $950 million affordable housing bond addresses the housing needs of our community's poorest and most vulnerable residents, prioritizing housing for extremely low-income households and people experiencing homelessness. To date, of the $950 million in total Housing Bond funds, the County has committed $857,559,768 and has approved priorities for the remaining funds. The bond has created 5,350 affordable units in 56 new housing developments across 11 cities. The Measure A funds are fully expended and the requests for County loans for affordable housing developments continue.

This progress is because of our local system's strategic use and alignment of public resources, like the Measure A housing bond, Housing Authority vouchers, and San José's Measure E funds. Our region strategically uses a variety of private funding sources, including major philanthropic contributions from large companies such as Cisco and Apple, to fill funding gaps. If adequately resourced, our region could produce deeply affordable housing that meets the need. However, decades of failed federal and state policies, and the absence of adequate federal and state funding to finance deeply affordable housing, are primary contributors to the dire shortage of housing.

Recommendation 7:
San José should immediately begin monitoring the utilization data from its interim housing facilities and ensure that the data are complete and accurate. The City should take necessary action to remedy any issues it identifies.

Response:
⑩ Utilization is already tracked by our collective system. The federally required Housing Inventory Count already requires Continuums of Care to gather data about utilization rates on an annual basis. In addition to this, the Housing Department's Homelessness Response Division monitors utilization daily. The current method for tracking is a laborious manual system that is emailed daily from nonprofit site operators to the Homelessness Response Division. Housing openings are closely tracked, and when a unit is available, a referral is placed from the City's street outreach teams. However, the current system does not take into account offline units (beds) due to damage or provide an easy way to track unit history. The current tracking of utilization is singular and only

takes into account if a bed/unit is currently occupied. The City would like to comprehensively track data on utilization, specifically tracking unit repairs, time to repair, and time it takes to fill a vacant unit after repair. These data points critically inform utilization and will provide insights into system improvements. The City is in the process of increasing alignment of its interim housing communities with the regional system to enhance coordination, support, and efficiency. The City's desire for more comprehensive data requires investment in a new software system or inventory module which will allow onsite staff and City staff to better track utilization in partnership with the County of Santa Clara. The City is exploring various software tools to achieve these goals.

The City appreciates the opportunity to review and respond to the California State Auditor's report relating to State and Local Government Homeless Funding (Report 2023-102.2). If you have any questions, please do not hesitate to contact Rosalynn Hughey, Deputy City Manager and Acting Housing Director, via email at rosalynn.hughey@sanjoseca.gov.

Sincerely,

Jennifer A. Maguire
City Manager
City of San José

cc: Nicholas Kolitsos, State Auditor's Office
Jordan Wright, State Auditor's Office

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CITY OF SAN JOSÉ

To provide clarity, we are commenting on the response to our audit report from the city of San José (San José). The numbers below correspond with the numbers we have placed in the margin of the city's response.

① San José implies in its response that our audit report lacks detail or context regarding the impacts of the COVID-19 pandemic. However, we acknowledge the impact of the pandemic generally in the Introduction of the report on page 5, and specifically as it relates to San José's efforts on pages 21, 31, and 34.

② The city's response refers to text from page 1 of the audit report's Results in Brief, which provides a high-level summary of our report's findings and conclusions. We present detailed information about San José's PIT count data since 2015 in Figure 4 on page 7. We acknowledge on page 7 that after increasing from 2015 to 2022, San José saw a slight drop in the number of people experiencing homelessness from 2022 to 2023. The numbers San José references in its response vary slightly from the numbers we present in Figure 4 because, while we used the numbers from the city's final 2022 report published in late 2022 and that it currently has on its website, San José appears to reference preliminary numbers from May 2022.

③ The city claims in its response that we do not adequately explain in our report the systemic factors causing homelessness. On the contrary, we describe in the Introduction on page 4, that the University of California, San Francisco's June 2023 study of people experiencing homelessness found that high housing costs and low incomes had left participants vulnerable to homelessness and that the most frequently reported economic reason for entering homelessness was loss of income. We describe on the same page that the study found that factors such as scarcity of housing, high cost of housing, lack of rental subsidies, and lack of assistance in identifying housing create barriers to accessing housing.

④ We are encouraged by San José's assertion that it is already taking steps to implement our recommendation, and we look forward to reviewing its efforts as part of our regular follow-up process. Nevertheless, to fully implement this recommendation, we expect the city to develop a mechanism—such as a spending plan–for its homelessness funding that identifies the available funding and how it intends to allocate that funding. For example, the city could identify the amounts of funding it has available from federal, state, and local sources each year, indicate the amounts of that funding it plans to allocate to specific homelessness-related activities, and report on its spending at the end of each year. We also expect the city to regularly monitor the amount of its unspent funding to ensure that it complies with any future spending deadlines and adequately explain to the public the anticipated timing of its future spending.

⑤ San José has misquoted our recommendation in its response. As is our standard practice, we communicated with San José during its review of our draft report to discuss any questions or concerns it may have. Based on these conversations, we informed San José that we would make changes to the recommendation regarding its evaluation of its health and safety programs. The revised recommendation is on page 63.

⑥ We believe that the recommendation is appropriately focused on San José's programs. As we discuss on page 33, San José did not develop performance measures to evaluate how well its programs are mitigating health and safety risks, and our recommendation is focused on the city developing performance measures for the programs we reviewed to demonstrate their effectiveness. Further, nowhere in our recommendation do we prescribe that the city develop epidemiological surveillance efforts to track and evaluate potential impacts. Instead, we recommend that the city develop performance measures to evaluate the effects of the city's public health and safety programs related to unsheltered homelessness and to publicly report on the effects of its actions. In addition, San José explains that it is in the process of updating its performance measures for the BeautifySJ encampment management programs and is seeking ways to evaluate and improve upon health and safety services. Although this is encouraging, San José must ensure that it develops clear performance measures so it can assess whether its health and safety actions have effectively addressed the profound risks that individuals living in encampments face.

⑦ Our recommendation does not prescribe the frequency with which San José should monitor demographic data by program. Rather, Santa Clara County has these data available and can produce monthly reports, and we believe that San José should immediately begin requesting this data and take actions as needed to address demographic disparities. It is at the city's discretion to determine the frequency of its monitoring of the data, and we look forward to reviewing its progress as part of our regular follow-up process.

⑧ Our recommendation is focused on the need for San José to formally adopt a policy for identifying and approving suitable locations for interim housing to ensure that the city is transparent and accountable for the process it uses to locate interim housing sites. We state on page 46 that the city has not formally adopted its Emergency Interim Housing Siting and Evaluation Guidelines and Process, which staff indicated they use to assess sites, and it is unclear when they became effective and to whom they apply. In its response, the city confirms that those guidelines are in use today. We are not recommending any rigid criteria for site identification and selection beyond what the city has already developed. Rather, we believe it is important that the city formally adopt the policy because it will need to develop more interim housing to meet its goals. As we state on page 45, San José has yet to meet its goals for creating interim housing units and locating at least one interim housing facility in each city council district.

⑨ We stand by our conclusion that San José lacks a clear, long-term plan to develop and fund the needed permanent housing. On page 52, we explain that San José has yet to set a target for the number of permanent supportive units it needs, and the city acknowledges in its response that the implementation plan's overall goal is still under development. Consequently, it is difficult to measure the city's progress. Further, as we state on page 53, when we asked San José about its plans for funding additional permanent supportive housing units in the future, the city provided a list of seven potential developments that include proposed permanent supportive housing units. However, it offered no details about how, when, or whether it would pursue funding these developments.

⑩ We disagree with San José's assertion that it monitors utilization data daily. Specifically, during the course of our audit, we requested the utilization data and it took the city a month to provide us with the data, which indicated to us that it was not readily available. Further, as we describe on page 46, after providing us with the data, the city noted problems with the data's accuracy. For example, the bed capacity at one interim facility was incorrectly listed as less than half of its actual capacity, producing inaccurate utilization rates of more than 100 percent in the database. Thus, we stand by our recommendation that the city monitor its utilization data and ensure that it is complete and accurate.

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THE CITY OF SAN DIEGO

March 12, 2024

Grant Parks, California State Auditor*
621 Capitol Mall, Suite 1200
Sacramento, California 95814

Re: Response to Report No. 2023-102.2, Homelessness in California: San Diego Must Do More to Plan and Evaluate Efforts to Reduce Homelessness

Dear Mr. Parks:

Thank you for the opportunity to review and provide a response to the above-referenced audit report. The City of San Diego (City) generally concurs with the recommendations in this report and will take appropriate steps to implement them where feasible. At this time, some recommendations have been partially implemented and are expected to be completed by September 2024; work on other recommendations is underway but may be completed after the audit's recommended target date. The City's response to Recommendation 3 highlights the City's use of performance measures to review the effectiveness of its contractors but notes that public health remains within the purview of the County of San Diego. The City appreciates the opportunity to showcase the work that it continues to do to move our unsheltered residents into shelter and housing.

The draft audit report provided to the City included four recommendations. The City's responses to each recommendation are included below.

Recommendation 1: To promote transparency, accountability, and effective decision-making, San Diego should, by September 2024, publicly report in a single location, such as by creating a spending plan for all of the federal and State funding it receives and the local funding it allocates for reducing homelessness. It should also regularly monitor the amounts of its unspent funding to ensure that it complies with any spending deadlines and can adequately explain to the public the anticipated timing of its future spending.

City Response: Agree, the City has existing spending plans already in place, but will publicly report them in a single location.

The City already maintains spending plans on homelessness-related programming. For example, the annual budget process highlights the funding allocated to homelessness across General Fund departments and grant funding from State and federal resources. This information can be found in Volume 1, inclusive of grant funding, as well as Volume 2 of the annual budget. Furthermore, the City has detailed spending plans for each federal and State funding source, as spending plans for all federal and State funding received are approved by the City Council in advance of receiving the awards in order to authorize appropriations and expenditures under any of these funds. ①

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* California State Auditor's comments appear on page 103.

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The City of San Diego, through its SAP Enterprise Resource Planning (ERP) system, tracks all federal, State, and local funding it receives. While all grants are segregated and reported separately as is required by most granting agencies, other local funds are allocated at the fund, department, program, or cost center level. The allocation, budgeting, and expenditure of local funds use the City's current financial and budgetary structure, which serves many and sometimes competing, financial reporting needs. The allocation of local funds toward homelessness programs is mostly contained within the budgetary allocation to one department, the Homelessness Strategies and Solutions Department (HSSD). However, other budgetary allocations of local funds that are performed by specialized functions of the City, such as neighborhood policing and refuse collection services, are accounted for under the responsible department to ensure accountability with those charged with implementing such programs.

① In addition to the annual budget process, the City monitors expenditures and unspent funds on a quarterly basis during the budget monitoring process. Each of these reports is made publicly available on the City's website and is also presented as informational items at Budget and Government Efficiency Committee and City Council meetings. Moreover, per Council Resolution R-313615 executed in June 2021 and recommendations by the City's Independent Budget Analyst (IBA) in Report No. 21-19 Recommendation No. 2, HSSD includes detailed updates on the spending of State grants and other funding related to homelessness as part of the quarterly budget monitoring report. While these reports do not include spending and efforts for abatement and policing, they are responsive to the IBA's recommendation on reporting to the City Council on the executed and planned use of homelessness funding across funding sources. These updates have been consistently developed and provided to the City Council as well as published on the City's website during the quarterly monitoring process. Moreover, the City is required to complete quarterly reports for each one of its State grants to monitor both expended and remaining funds and ensure funds are on track to be spent in alignment with expenditure deadlines. As previously mentioned, every dollar of State, local, and federal funding is tied to a specific detailed funding plan, and unspent funds are already allocated to the approved uses. Because of this work, the City has never encountered a situation where it was at risk of not complying with funding expenditure deadlines. Certainty of future funding also plays a role, and the City has consistently requested the State create reliable, ongoing funding through the Homelessness Housing Assistance and Prevention program so it can build more certainty into its contracts and housing programs.

② Finally, this audit recommendation requests the City create plans for unspent funds. The City does have these plans in place, however, the auditors did not inquire about plans for future use of remaining (unspent) funds during their review. The report did mention that unspent General Funds do not typically carryover to the next year's budget, however, multi-year grant funds do carryover, and unspent funds at the end of any fiscal year are factored into the future year's spending plans and are published in Volumes 1 and 2 of the City's budget.

To implement this recommendation, the City will aggregate the existing spending plans currently funded with federal and State sources as well as those costs directly allocated to HSSD to produce an annual report on expenditure by funding source and use by September 2024. In addition, the City will assess the feasibility of identifying ancillary costs related to support provided by departments other than HSSD. To the extent feasible, these costs will also be incorporated into the annual report at a later date.

Recommendation 2: To ensure that San Diego effectively and transparently spends its funding to address and end homelessness, the City should do the following:

a) Ensure that, when it renews or enters into new agreements with service providers, it establishes clearly defined performance measures.

b) Require that, beginning by September 2024, staff at least annually document an overall performance review and assessment of the effectiveness of each service provider based on the performance measures in the agreement and other expectations that San Diego has set.

City Response: Agree. The City already requires performance measures, and an overall review and assessment of the effectiveness of service providers is in progress. ③

While the City and the San Diego Housing Commission (SDHC) will continue to refine service provider performance measures, staff note that it can be challenging to mandate specific housing performance measures on service providers because service providers' client housing outcomes are largely dependent upon the availability of housing inventory, which is outside of the control of the service provider. The City acknowledges that the current housing environment is more challenging than ever due to limited supply and all-time high rents. Due to these challenges, the City intentionally has service providers report on performance outcomes as detailed in each operating agreement but has not defined specific numerical targets, as housing outcomes may be outside the control of any individual operator. In the absence of set targets for housing outcomes within operating contracts, the City can conduct a comparative analysis across service providers and programs to see what interventions and operators have higher-than-average housing placements. Staff are also able to assess factors leading to improved outcomes to replicate elements of programming and allocate greater resources to programs that generate higher placements. For example, during an analysis of permanent or other long-term housing placements across programs, the City concluded that the Family Reunification Program had higher-than-average outcomes compared to other City-funded programs. As such, the City increased funding for the Family Reunification Program as the services provided were proving to be most effective and efficient in housing placement for individuals experiencing homelessness, considering the challenges in the broader local housing supply.

Additionally, certain projects identified in Table 5 of the report as having 'ill-defined' performance measures did include detailed scopes and budgets with specific performance requirements (such as hours of operation and types of services to be delivered) and outcome measures (such as the number of individuals to be served). Contracts supported by federal programs, including Community Development Block Grants (CDBG) and Emergency Solutions Grants (ESG), are included in annual performance and review reports to the U.S. Department of Housing and Urban Development (HUD) and are subject to HUD monitoring. During the subject fiscal years of this State audit, HUD monitoring of the City of San Diego as an entitlement grantee resulted in no findings. ③

Finally, the City is currently in the process of creating an annual performance review and assessment. In the City's Fiscal Year 2023 Adopted Budget, HSSD added new positions dedicated to performance monitoring. These positions have been filled, and formal documentation efforts for tracking operator performance are already underway. One additional vacant position that is in the process of being filled, will oversee data and analysis associated with performance more broadly across programs in the system. The new position will be responsible for tracking program data on a monthly basis, analyzing trends, and providing recommendations on how to improve program activities and outcomes, as necessary.

Recommendation 3: To better assist people experiencing unsheltered homelessness, San Diego should, by September 2024, develop performance measures to evaluate the effects of the City's public health and safety programs related to unsheltered homelessness listed in Table 7. An example of such a performance measure is a reduction in the number of public health incidents occurring at encampments. San Diego should then report publicly on the effects of its actions.

④ **City Response:** Disagree. The County of San Diego is the lead agency on public health matters for the region. The City's contracts related to services for individuals experiencing unsheltered homelessness do include performance measures that are reported on to HSSD. While specific targets for each measure have not been identified, the data for each performance measure is tracked to understand the effectiveness of City-funded programs and where there may be areas to increase support or make programmatic improvements. HSSD also included Key Performance Indicators in the Fiscal Year 2024 Adopted Budget, which includes metrics related to outreach strategies. Moreover, HSSD has amended its Key Performance Indicators for the Fiscal Year 2025 Proposed Budget to include metrics on shelters, safe parking, and safe sleeping, in addition to outreach services.

Additionally, starting in Fiscal Year 2025, the Environmental Services Department will use the following Key Performance Indicator for its Sidewalk Sanitizing program:

- Perform sidewalk sanitation services on at least 9,600 City blocks each fiscal year to reduce the potential presence of pathogens, bacteria, and communicable diseases.

Recommendation 4: By September 2024, San Diego should develop plans for siting and building the permanent housing it has identified that it needs for people experiencing homelessness. The plans should specify the amount of funding necessary to build the housing, as well as possible funding sources.

City Response: The City agrees that plans for siting and building permanent housing should be created, and staff are working on an Affordable Home Development Master Plan. However, due to resource constraints, the timeline for the completion of this work is projected to be in 2025 instead of by September 2024. When completed, the Master Plan will provide a comprehensive plan to utilize City-owned property to develop homes for people of all incomes in all communities that are best served by transit and amenities. The Master Plan will reduce development costs and expedite housing construction on public land.

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Additionally, the Master Plan will identify potential shelter sites to address the urgent need for increased shelter capacity for people experiencing homelessness. This Master Plan will expand upon the work and analysis completed in the City's existing Comprehensive Shelter Strategy, published in June of 2023, which provided an analysis of existing sheltering options and the type and quantity of shelter beds needed in our region.

The City has significantly expanded its homelessness programs over recent years, and in turn, has created a system of services across the continuum. To meet demands of the most vulnerable unsheltered populations, the City has made significant investments in new programming. In recent years, the City has significantly expanded shelter bed capacity, opened two safe sleeping sites, expanded safe parking, received a pro-housing designation from the State, passed a series of housing action packages to increase development, and launched the Bridge to Home program in an effort to produce more homes that are affordable to all San Diegans. The City is committed to continuing to expand programs for those experiencing homelessness and increasing the availability of housing for all. The City looks forward to continuing to work with the State in addressing homelessness and housing affordability.

The City appreciates the effort undertaken by the California State Auditor in completing this review and thanks the staff involved.

Sincerely,

Eric Dargan

Eric K. Dargan
Chief Operating Officer

EKD/KAP

cc: Paola Avila, Chief of Staff, Office of the Mayor
Matthew Vespi, Chief Financial Officer
David Nisleit, Chief, Police Department
Alia Khouri, Deputy Chief Operating Officer
Kristina Peralta, Deputy Chief Operating Officer
Kris McFadden, Deputy Chief Operating Officer
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Sarah Ferry, Assistant Deputy Director, Homelessness Strategies and Solutions Department
Luis Briseño, Program Manager, Compliance Department

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CITY OF SAN DIEGO

To provide clarity, we are commenting on the response to our audit report from the city of San Diego (San Diego). The numbers below correspond with the numbers we have placed in the margin of the city's response.

① Despite its assertion that it already maintains spending plans, San Diego has not reported all of the funding it receives and spends for reducing homelessness in a central location, as we discuss on pages 13 and 19. The city's budget and quarterly monitoring reports present information on certain homelessness programs for a single fiscal year and do not show in a single location all the amounts of homelessness funding the city has received, budgeted, and spent. The decentralized nature of the city's homelessness funding information, plans, and uses, limits public transparency of and accountability for its efforts to reduce homelessness.

② The city misunderstands the intent of our recommendation. As we explain on page 17, the State has recently allocated more than $52 million to San Diego. Therefore, it is critical that it describes how it plans to use them by the 2027 and 2028 spending deadlines, as Table 2 on page 18 shows. Our recommendation is intended to help ensure that San Diego not only complies with future spending deadlines, but also that it fully explains to the public the anticipated timing of its future spending of these funds.

③ San Diego misrepresents the extent to which its agreements with service providers contain performance measures, which are critical for the city to establish and monitor to ensure that providers are effectively addressing and reducing homelessness. As we show in Table 5 on pages 28 and 29, we found that two of San Diego's agreements with service providers did not include any performance measures. Table 5 also shows that we identified four city-funded agreements—three managed by the housing commission and one by San Diego—in which the performance measures were ill-defined, despite the city's claims in its response that some of these agreements did include specific performance requirements and outcome measures. As we explain on page 27, without defining measurable expectations for service providers, the city and the housing commission risk those providers using city dollars ineffectively and ultimately not reducing homelessness.

④ We stand by our recommendation that the city should develop performance measures to evaluate the effectiveness of the city's programs focused on public health and safety. Although the city indicates it disagrees with the recommendation, many of the actions it describes in its response appear to align with the intent of our recommendation. We look forward to reviewing San Diego's progress as part of our regular audit follow-up process.

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SAN DIEGO
HOUSING
COMMISSION

March 7, 2024

Grant Parks*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, California 95814

Dear State Auditor Parks,

The San Diego Housing Commission (SDHC) appreciates the opportunity to submit a written response to the portion of your draft report about state and local homelessness funding that relates to SDHC. As we shared previously with your office, the City of San Diego's Office of the City Auditor released a report in March 2023 about its performance audit of SDHC's homelessness services contract management, which found that SDHC "ensures contracted homelessness services programs follow best practices through contract design, ongoing administration, and compliance monitoring." This was one of two findings in City auditor's report related to SDHC, and the report included one finding for the City of San Diego. The Office of the City Auditor's report also included two recommendations related to SDHC's processes for sole-sourced contracts, which SDHC agreed with and implemented. ①

Your office informed SDHC that your report does not include any findings or recommendations for SDHC or the Housing Authority of the City of San Diego. However, additional context about your report's discussion of SDHC is important to provide a more complete understanding of these items for state lawmakers, stakeholders and members of the public who may review your report, as jurisdictions throughout California, including San Diego, continue to address homelessness challenges in their communities. ②

Measuring Performance Expectations

Measuring contract performance involves far more than only the identified program outcomes for a specific contract. Outcomes such as exits to the most appropriate permanent or longer-term housing are significant objectives for contracted service providers. However, how programs operate is also important. Monitoring programs for compliance with other elements of the contract Scope of Work is essential for the creation and maintenance of equitable programs that focus on the needs of the people they serve and identify housing options for them while serving them with dignity as they work toward a longer-term housing solution.

During the audit, SDHC provided hundreds of documents to your office, reflecting several monitoring activities to ensure compliance with performance expectations for homelessness

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* California State Auditor's comments appear on page 115.

shelters and services contracts that SDHC administers. However, your report fails to acknowledge these monitoring activities.

③ The audit team appeared focused only on the "Program Outcomes" section of the Scope of Work to determine how SDHC measures and monitors program performance. However, your report does not acknowledge that "Program Outcomes" align with regional and national best practices and the regional Continuum of Care's Community Standards. Further, the "Program Outcomes" section of the Scope of Work comprises one to two pages of a roughly 23-page Scope of Work. While "Program Outcomes" certainly are important, they are not sufficient alone to measure contract performance. The Scope of Work also describes operational expectations for each program. Sections of the Scope of Work unaddressed by the audit team are critical to creating quality programs, informing the region's homelessness response system, and standardizing performance requirements across programs, interventions, and program operators.

④ **Erroneous Conclusions**

For example, the draft audit report includes the following statements under the heading "Housing Commission Agreements":

- "The housing commission's agreements with external service providers have not always included performance benchmarks to allow the housing commission to assess the results of the service providers' efforts."
- Page 5: "Without defining measurable expectations for service providers, the housing commission risks those providers' using city dollars ineffectively and ultimately not reducing homelessness."
- Page 7: "When the cities either do not establish clear objectives in those agreements or do not monitor providers' performance in achieving objectives, they risk failing to meet the needs of their residents who are experiencing homelessness."

③ **These statements misunderstand and misrepresent what the "Program Outcomes" section of the Scope of Work includes; they do not acknowledge that "Programs Outcomes" are aligned with best practices and Community Standards; and they assume the "Program Outcomes" section is the only way to define "measurable expectations."** They further misunderstand and misrepresent the comprehensive nature of the full Scope of Work section of SDHC's contracts and SDHC's extensive activities and efforts to monitor program performance.

SDHC's Scopes of Work include the minimum performance benchmarks for the homelessness intervention as defined in the regional Continuum of Care's Community Standards. The Continuum of Care's Community Standards establish community-wide expectations on the operations of projects and establish a minimum set of standards regarding the quality of housing and services provided in the area the Continuum of Care serves. Additionally, the Continuum of Care sets minimum performance benchmarks for specific interventions. Currently, the Continuum of Care Community Standards only include the percentage of exits to permanent housing as a performance indicator for all interventions. This aligns with national best practices around orienting programs to be "housing-focused," which means that the goals of most homelessness services interventions are to resolve a person's homelessness. The Continuum of Care's performance benchmarks have been revised and updated over the years. SDHC has always incorporated the most up-to-date version of those benchmarks in its contracts and adjusted data collection tools to align with revisions to those benchmarks when necessary.

Other key elements of the Scope of Work include:

- **Program Services** to be offered to program participants utilizing Housing First principles and other national best practices to ensure low-barrier access to programs and services.
- **System Coordination,** which includes the required use of the Continuum of Care's Homeless Management Information System (HMIS) to capture program- and system-level data to inform system design; participation in the Continuum of Care's Coordinated Entry System (CES) to ensure program participants are appropriately prioritized and connected to available community housing resources; participation with 2-1-1 San Diego to ensure potential program participants and community partners are able to identify the program when needed; and participation in 2-1-1 San Diego's Community Information Exchange (CIE) database to aid in the creation of service plans and coordination of care for program participants.
- **Program Standards** that reflect local and national best practices for service delivery and include detailed expectations regarding what needs to be included in program policies and procedures, program staffing, and program participant engagement in service delivery and program design.
- **Program Site Management and Security** (when applicable), which identifies standards for site management, site security, emergency preparedness, and community engagement, to ensure the program site is safe and suitable for human habitation and/or occupation (depending on the program) at all times.
- **Monitoring and Improvement Activities,** which describe requirements for participation in compliance monitoring and technical assistance conducted by SDHC.
- **Requests for Reimbursement,** which identifies requirements for supporting documentation for service providers to receive reimbursement/payment for services rendered.

SDHC Compliance Monitoring Activities ③

In addition to the evaluation of monthly data collection tools described in your office's report, SDHC also performs several other monitoring and compliance activities related to the elements of the Scope of Work identified above, which are not discussed in your office's report. Data on performance outcomes are very important, but they are not the only indicator of performance. Other elements of contract performance management, which have already been shared with the auditing team, include the following:

- **Compliance Monitoring:**
  In support of creating and maintaining quality programs, SDHC implemented robust monitoring and improvement activities. SDHC monitors program compliance annually. A series of monitoring tools were developed for each intervention and are further informed by the Scopes of Work. Examples of monitoring tools, reports, and workflows have been provided to State auditors upon their request. The monitoring tools are updated each year, as necessary, to reflect any changes in the Scope of Work. As part of monitoring activities, SDHC's compliance team performs a thorough review of the service provider's

policies and procedures and program forms. SDHC's compliance staff also selects a sample of files for review. These monitoring activities assess areas where the service provider is performing well or may require additional technical assistance or course correction. In particular, file reviews assess if all mandatory forms are included in participant files and if case notes reflect the use of national best practices, such as Housing First fidelity and consistency with Continuum of Care Community Standards. A sample of monitoring reports was provided in a September 25, 2023, document submission to the auditors. Compliance monitoring procedures were provided in a submission of documents on September 29, 2023, to the State auditors.

In the event compliance monitoring activities identify deficiencies, immediate attempts are made to mitigate the issues and bring the service provider back into compliance. Monitoring reports and general feedback mechanisms (such as email) describe the deficiencies and provide a due date for correction. Technical assistance is provided, as necessary, to support service providers, and follow-up meetings may be conducted to clarify concerns. If service providers are unable to resolve deficiencies and are determined to not be operating within the requirements of the Scope of Work, SDHC may institute a Performance Improvement Plan (PIP). SDHC staff adhere to internal policies and procedures for the PIP process. A sample PIP workbook was provided to the State auditors.

The Scope of Work also requires the use of program participant feedback to inform program design and identify any areas of opportunity to enhance programs. SDHC's compliance team collects this data quarterly as a component of monitoring performance for all programs.

It is important to note that in addition to monitoring reviews, SDHC's compliance team performs monthly audits of all Coordinated Entry System (CES) referrals to permanent housing programs SDHC administers, such as Rapid Rehousing and Permanent Supportive Housing, to ensure service providers are documenting and accepting/declining referrals according to CES policies and procedures.

- **Requests for Reimbursements:**
  Detailed budgets are created in support of the Scope of Work, and other fiscal considerations such as expenditure rates and the efficacy of those expenditures are closely monitored monthly over the course of the agreement term. During the budget development period, which begins prior to contract execution, SDHC staff work closely with service providers to develop a budget that monetarily supports the program's operational costs and ensures the service providers use the necessary staffing structure to maintain appropriate caseload ratios and/or on-site staff. The monthly monitoring of the budget begins with the service provider's submission of Request for Reimbursements (RFRs), which is the process used for invoicing SDHC for program expenses. The RFR packets undergo a thorough review that consider aspects such as eligibility of the expenses claimed, if sufficient supporting documentation was provided to substantiate the expense, and if the claimed expenses align with the approved budget. Any ineligible

expenses are disallowed and not reimbursed to the service provider. This supports fiscal responsibility and good financial stewardship.

The monthly RFR data are captured in an internal database, and reports are available in the form of a fiscal monitoring tool. The fiscal monitoring tool is used to compare expenditures against the budget and project budget utilization. The tool also identifies areas where technical assistance may be required. Further, each quarter, SDHC staff perform a thorough budget analysis and review of expenditures and subsequently meet with service providers to review quarterly fiscal and programmatic outcomes.

The RFR review process is captured in "Policy 2.2: Processing Requests for Reimbursements" in the Policies and Procedure manual already provided to the State auditors.

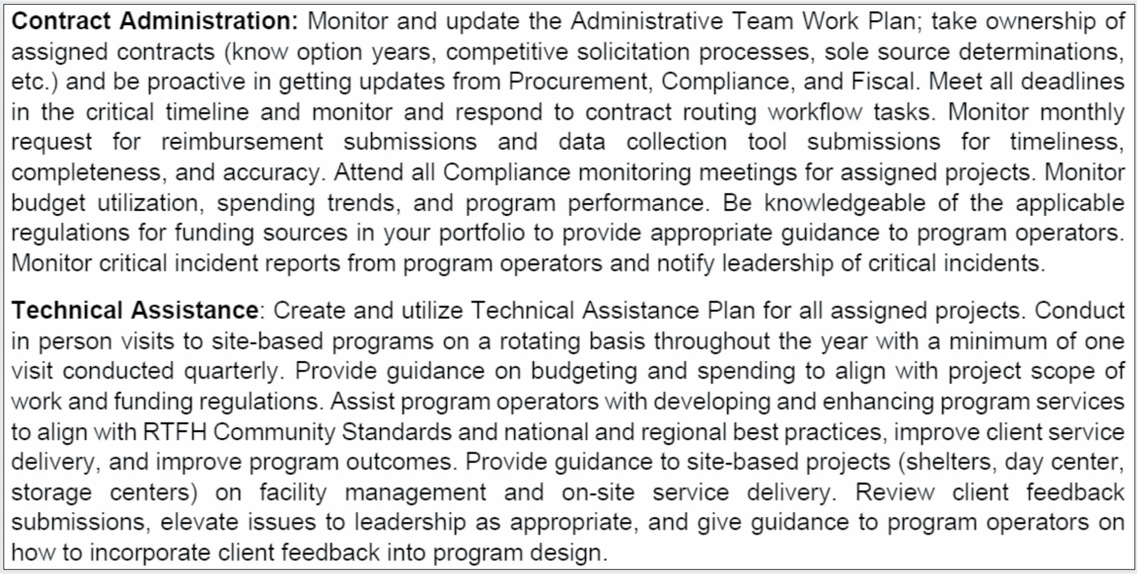
- **Quarterly Check-In Meetings and Technical Assistance Plans:**
  SDHC's Homelessness Innovations Division's Policies and Procedures describe the method for facilitating the quarterly meetings and detail the items to be included on the agenda such as reviewing budget utilization, program outcomes, and other items identified as requiring more technical assistance. This is "Policy 2.8: Monitoring & Analysis" in the team's Policy and Procedures manual provided to State auditors.

  Examples of the Fiscal Monitoring Tool and Quarterly Meeting Check-In Agenda were provided in the supplemental documents submitted for review.

  In addition to the Quarterly Check-In Meetings, technical assistance is provided at intervals, often daily, weekly or monthly. Technical assistance may be formal or informal.

- **Internal SDHC Tools:**
  SDHC drafted and continually updates a Policies and Procedures manual to guide the work of the team. All core contract administration functions are detailed in the Policies and Procedures manual, such as RFRs and data collection tools A copy of the Policies and Procedures manual was provided to State auditors on September 29, 2023.

  The Policies and Procedures manual also contains **Professional Standards** that SDHC has developed for the staff overseeing contracts. The standards are contained in the team's Policies and Procedures manual within "Policy 1.4: Professional Standards." These standards define the minimum expectations for staff with regard to professionalism and core competencies related to contract administration. For example, a Senior Program Analyst assigned a portfolio of programs is expected to perform contract administration according to the following standards:



Contract Administration: Monitor and update the Administrative Team Work Plan; take ownership of assigned contracts (know option years, competitive solicitation processes, sole source determinations, etc.) and be proactive in getting updates from Procurement, Compliance, and Fiscal. Meet all deadlines in the critical timeline and monitor and respond to contract routing workflow tasks. Monitor monthly request for reimbursement submissions and data collection tool submissions for timeliness, completeness, and accuracy. Attend all Compliance monitoring meetings for assigned projects. Monitor budget utilization, spending trends, and program performance. Be knowledgeable of the applicable regulations for funding sources in your portfolio to provide appropriate guidance to program operators. Monitor critical incident reports from program operators and notify leadership of critical incidents.

Technical Assistance: Create and utilize Technical Assistance Plan for all assigned projects. Conduct in person visits to site-based programs on a rotating basis throughout the year with a minimum of one visit conducted quarterly. Provide guidance on budgeting and spending to align with project scope of work and funding regulations. Assist program operators with developing and enhancing program services to align with RTFH Community Standards and national and regional best practices, improve client service delivery, and improve program outcomes. Provide guidance to site-based projects (shelters, day center, storage centers) on facility management and on-site service delivery. Review client feedback submissions, elevate issues to leadership as appropriate, and give guidance to program operators on how to incorporate client feedback into program design.

The professional standards are supported by the Policies and Procedures manual provided to State auditors, which support the core function of administering the programs, including data collection tools, Requests for Reimbursement (RFRs), Quarterly Check-In Meetings, Technical Assistance Plans, Monitoring Reports, Performance Improvement Plans (PIPs), Budget Development, Expenditure Tracking, Informational Reports, Public Dashboards, and Performance Monitoring.

② **Additional Details Missing from the Audit Report**
In the second paragraph after Table 3 in the section under the heading “Housing Commission Agreements,” your office’s report stated: “The housing commission did not clearly define its expected performance measures in 3 of the 11 agreements reviewed.” In the same paragraph, the report further stated, “For example, in a $1.6 million agreement for interim housing and supportive services, the housing commission did not specify how many people the provider should serve or
② set a target for shelter occupancy.” SDHC previously submitted responses to those concerns to your office by email on January 25, 2024; however, this additional context is not reflected in the report. It is provided here:

- **Contract HHI-18-22.1 (Family Health Centers of San Diego Housing Navigation Center)**
  Outcomes in the initial contract were primarily based on Family Health Centers of San Diego’s (FHCSD) response to the Request for Proposals for this project, as this was a new program model that had only been piloted in a few other jurisdictions, with some variations. There were no community standards or other baselines to develop outcomes. The Homeless Management Information System (HMIS) did not include the ability to collect all the data FHCSD had proposed reporting. Therefore, it could not be captured on the data collection tool initially. Subsequent discussions with the operator occurred in January and February 2020 about how to capture those data elements, whether through customized services in HMIS or through the provider’s internal data systems. FHCSD developed an on-site electronic database for tracking and reporting on a variety of data points, including services provided by on-site partners and metrics related to clients'

status in the housing process. As SDHC and FHCSD worked together in the months after the program opened, they discussed options for how best to capture performance data toward several outcomes in the contract that were not included in the data collection tool at program opening (as noted above), including whether to utilize FHCSD's internal database or another system. The onset of the COVID-19 pandemic in March 2020 disrupted these conversations. This let the Housing Navigation Center to shift to a modified schedule and service delivery plan as of April 2, 2020.

Ongoing discussions on reporting and outcomes were ultimately affected by the closure of the Housing Navigation Center program on October 29, 2020, prior to the end of the contract term, due to service delivery and staffing challenges related to the pandemic.

- **Contract HHI-21-17 (PATH – Homelessness Response Center)**
  After the Housing Navigation Center closed, SDHC began operating the Homelessness Response Center at the same location. SDHC contracted with People Assisting the Homeless (PATH) to provide system navigation and related services at the Homelessness Response Center. Most of the metrics in the outcomes table in the Scope of Work for this contract are listed as "reporting only" because this was a new program model, and SDHC needed to gather data to establish baselines for future metrics. The program model was developed as a result of successful practices SDHC had implemented during Operation Shelter to Home, the City's shelter response to the COVID-19 pandemic, combined with some practices that had been implemented at the Housing Navigation Center. This was unlike any other approach nationally. SDHC did not have baseline outcomes to include in the Scope of Work at that time. In subsequent amendments, SDHC added outcomes for persons served through system navigation, exits to permanent housing, and average length of enrollment for exits to permanent housing. The data collection tool evolved over time from the initial contract Scope of Work as SDHC gained a better understanding of the program model and further determined what could be captured in the Homeless Management Information System for reporting.

- **Contract HHI-22-41 (Harm Reduction Shelter)**
  The "$1.6 million agreement for interim housing and supportive services" mentioned in the statement above from your office's report refers to the Harm Reduction Shelter. In the Scope of Work, the sections named "Program Description" and "Target Population/Geographical Area," as well as other sections, state, "Individuals will be referred and provided case management and supportive services directly through the County of San Diego's Community Harm Reduction Team." This means that the SDHC-contracted program operator does not have control over who is referred to and enters the shelter. Therefore, it would not be appropriate to set a contract performance outcome for the number of people the program operator is expected to serve or a target for occupancy.

  Additionally, it is not a best practice to set performance goals related to persons served annually. As SDHC staff shared with the auditor's office, in the past, when such persons-served goals were set, some programs exited clients after a specified amount of time (e.g., 90 days) to ensure they were turning over beds often enough to meet the goal of persons served for the year. This resulted in people being exited to the streets before housing goals could be achieved. As a result, SDHC revised outcomes to align with the Community Standards (as referenced above), which focus on exits to permanent housing and average length of stay for exits to permanent housing. In all other shelter contracts, SDHC includes occupancy as a measured outcome as well, to ensure existing beds are utilized to the fullest extent possible.

In the last paragraph before Table 5, which continues immediately after Table 5 in the draft report, your office stated: "the housing commission did not always ensure that it received required data on provider performance…The housing commission did not receive all of the necessary reporting for ② 2 of the 11 agreements." SDHC previously submitted responses to those concerns to your office by email on January 25, 2024. However, this additional context is not reflected in the report. It is provided here.

- **Contract HHI-22-41 (Harm Reduction Shelter):**
    - The goal for "Exits to Permanent Housing" was changed to 26 percent in the data collection tool because the San Diego Regional Task Force on Homelessness (RTFH) updated its community standards in June 2021. SDHC updated the data collection tools to align with that new standard even though all contract Scopes of Work did not reflect that update due to the timing of contract execution and the release of the new standards.
    - "Number of Individuals on the Program Waitlist" is in the Scope of Work; however, SDHC removed it from all shelter data collection tools starting in Fiscal Year 2022 because SDHC launched the Coordinated Shelter Intake Program. With this intake program, shelters no longer maintained individual waitlists for their programs. Additionally, this particular program (as stated above) did not control who enters the shelter, as that was overseen by the County of San Diego.
    - The 100 percent spend-down of awarded funds is monitored outside of the data collection tool through the monthly Requests for Reimbursement review and fiscal monitoring process. SDHC removed this from the outcomes table in Fiscal Year 2023 when SDHC created a completely revised and standardized contract template, as this was legacy language from some federally funded programs that required 100 percent grant spend-down.

- **Contract HHI-20-07.1 (Mental Health Systems Serial Inebriate Program)**
  The Scope of Work reflects a goal of 100 percent for "Prioritize Entry for Persons from the Streets, Emergency Shelters, or Safe Havens," but this metric is reported only in the data collection tool. This metric and goal were included in the Scope of Work because, at the time of the initial contract term, they were part of the Continuum of Care Community Standards for Transitional Housing Programs. However, upon further consideration of the uniqueness of the population served by the Mental Health Systems Serial Inebriate Program, SDHC removed that goal because all persons served by the program are referred by the courts, and the operator did not have the ability to decide who to prioritize for the program. Almost all the "serial inebriates" referred by the courts were coming from jail or detoxification facilities and not from the "streets, emergency shelters, or safe havens." That is also why SDHC added the "Prioritize and target serial inebriates in the

community" reporting metric. Although it is not in the Scope of Work outcomes table, it is in Section 6.a. of the Scope of Work.

Your office's report further stated, "…staff did not always document an overall conclusion about the effectiveness of the service providers' efforts. … These types of assessments are crucial for ensuring accountability and the reduction and prevention of homelessness. Without such analyses, it is unclear how the housing commission decides to renew agreements. The weaknesses we note above have limited the information available to the housing commission when making such decisions."

SDHC disagrees with these statements for the following reasons:

- As outlined above, SDHC has extensive documentation regarding program performance through compliance monitoring activities, requests for reimbursement activities, quarterly check-in meetings, technical assistance plans, and data collection tools.
- When deciding to renew contracts, SDHC considers external factors that affect the ability of homelessness programs to achieve some performance metrics, such as staffing challenges and the scarcity of housing resources available through the Coordinated Entry System (CES) amid historically low vacancy rates and high rental costs in the City.

Addressing Systemic Issues

SDHC has acted to improve some of the systemic issues that impact program performance. For example, in October 2020, SDHC, in partnership with San Diego City College, launched an innovative, first-of-its-kind program, the Homelessness Program for Engaged Educational Resources (PEER). The Homelessness PEER course provides specialized education, training and job placement assistance to develop the workforce needed for programs and services that help San Diegans experiencing homelessness. In 2022 SDHC engaged in a compensation study of homelessness services sector positions to review and consider recommendations for ensuring competitiveness of wages for critical frontline positions and launched a wellness initiative for frontline staff to support sector efforts to attract and retain staff.

Conclusion

Addressing homelessness challenges in communities throughout California, including the City of San Diego, is complex and requires a variety of shelters and services programs that address diverse needs among the homelessness population. SDHC continues to rise to these challenges by developing innovative initiatives, collaborating with private sector service providers and other government agencies, and growing its team, as necessary, to meet the needs of some of the City's most vulnerable people experiencing homelessness. We have done this with efficiency, effectiveness and accountability for ourselves and our partners.

The Homelessness PEER course, homelessness services sector compensation study and wellness initiative described above are among initiatives SDHC has developed to strengthen the necessary workforce and address the staffing needs for homelessness shelters and services programs. Additionally, SDHC has emphasized making services housing-focused and providing case management to exit more households to longer-term and permanent housing beyond the limited housing resources available in San Diego's regional Coordinated Entry System and within the high-cost, low-vacancy residential housing market in San Diego. We also follow a process to continually enhance our efforts to align with best practices and ensure contract expectations meet community standards. This requires monitoring activities, technical assistance and system-level investments, many of which are detailed in this response to the audit.

All of this has occurred as the homelessness services sector in recent years has experienced a series of challenges, including the Hepatitis A outbreak in 2017, the worldwide COVID-19 pandemic, the fentanyl crisis affecting San Diego and cities across the country, and the affordable housing crisis in the City of San Diego.

② It is unfortunate that the audit report's discussion of SDHC and its efforts was too narrowly focused, did not reflect understanding of the breadth of SDHC's extensive efforts, and lacked the ④ context necessary for a comprehensive assessment of the homelessness shelters and services system.

Sincerely,

Lisa Jones
President and Chief Executive Officer
San Diego Housing Commission

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE SAN DIEGO HOUSING COMMISSION

To provide clarity, we are commenting on the response to our audit report from the San Diego Housing Commission (housing commission). The numbers below correspond with the numbers we have placed in the margin of the housing commission's response.

① We provided a redacted copy of the draft report to the housing commission for review; therefore, the page numbers, wording, and headings that the housing commission cites in its response do not align with this final report.

② The housing commission's response demonstrates its misunderstanding of the focus of the audit we performed as requested by the Joint Legislative Audit Committee (Audit Committee). Specifically, the Audit Committee directed us to assess how effectively San José and another city, which we selected as San Diego, are using funding to prevent and reduce homelessness. As such, we reviewed the housing commission's management of agreements with service providers on behalf of San Diego to determine how the housing commission ensures that its service providers are effectively providing housing and services to reduce homelessness. Despite this audit scope, the housing commission's response and the documentation it references focus on its efforts to ensure that service providers comply with agreement requirements, such as by reviewing requests for reimbursements and providing technical assistance. None of these activities amount to an assessment of how well service providers are reducing homelessness. As we show in Table 5 on pages 28 and 29, we found that the housing commission had set performance measures for most of its agreements with service providers. However, we also found that it did not always assess whether the service providers met those performance measures—a shortcoming that we describe on page 30. In fact, the housing commission agreed that it could better document its assessments. As we explain on page 27, without defining measurable expectations for service providers, the housing commission risks those providers using city dollars ineffectively and ultimately not reducing homelessness.

③ The housing commission incorrectly states that our report does not acknowledge that its program outcomes align with certain best practices and standards. In fact, we describe on page 29 that the housing commission explained that it uses its monthly data collection tools to compare results of a program to the contracted benchmarks and that it bases these contracted benchmarks on its CoC's community standards and other best practice information.

④ We stand by our report's conclusions. We conducted this audit in accordance with generally accepted government auditing standards. In following those standards, we obtained sufficient and appropriate audit evidence to support our findings and conclusions. As is our standard practice, we engaged in extensive research and analysis for this audit to ensure that we could present a thorough and accurate representation of the facts. The information the housing commission includes in its response does not refute any conclusions included in our report.